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FINANCIAL TIMES

Europe's Business Newspaper THURSDAY JUNE 3 1993 D8523A

Car bomb found in Rome near prime minister's office

Rome police defused a car bomb placed in a narrow street within 200 yards of the prime minister's office and parliament. The incident comes after the explosion of two car bombs in Rome and Florence and has increased pressure on the authorities to pinpoint those behind the campaign. The previous bombs have been blamed on the Mafia, but there is suspicion that elements of the security services are involved. Page 2

Schlesinger fears for single currency

Helmut Schlesinger (left), president of the Bundesbank, said creation of a single European currency by 1997 was "increasingly improbable". He added that changes within the EMS had been a process of correcting unrealistic exchange rates – in particular those of sterling, the lira, peseta and escudo – and not "competitive devaluation". Page 16

Metallgesellschaft, metals-based German conglomerate, reported a 39 per cent fall in half-year pre-tax profits cent to DM98.3m ($60m) despite a 17 per cent surge in sales. Page 17

Payments delayed: More than 60 per cent of UK construction contracts are subject to late payment according to a report. Late payment has been cited as a main cause of business failures. Page 9

US house sales rise: Sales of new homes in the US rose 22.7 per cent between March and April to an annual rate of 751,000, the highest level since the mid-1980s, the US Commerce Department reported. Page 6

Fury over Serb beatings: Leaders of Serbia's democratic opposition denounced President Slobodan Milosevic's government and condemned the arrest and beating of more than 20 journalists and opposition politicians. Page 2

Burundi winner: Burundi's military leader, Jean Pierre Buyoya, was unexpectedly beaten in the country's first democratic election by Melchior Ndadaye of the majority Hutu tribe, according to provisional results. Page 4

Winnie Mandela avoids jail: South Africa's appeal court set aside a six-year jail term for Winnie Mandela, estranged wife of ANC leader Nelson Mandela, on kidnapping and assault charges. Page 4

Ulster killing: A Roman Catholic lorry driver was shot dead near Comber, County Down. He was the 31st person to be murdered this year as a result of terrorism in Ulster.

Lift crash kills 10: A workers' lift plunged 20 floors at a Hong Kong building site, killing 10 men in the cage.

Dentsu, Japan's largest advertising agency, reported a 53.9 per cent fall in non-consolidated pre-tax annual profits to Y15.7bn ($142.7m) because of reduced spending by clients hit by the country's economic downturn. Page 20

Tourism thriving: The UK tourist industry had its best-ever first quarter, with 3.6m visitors entering the country. Page 9

Siebe raises profits: Cost cutting enabled Siebe, UK-based international engineering systems and controls group, to raise annual pre-tax profits 9 per cent to £185.1m. ($285m) Page 23; Lex, Page 22

Accor, French hotel, catering and tourism group, wants to merge its luxury Sofitel establishments with the Meridien chain, in which Air France has a majority stake. Page 17

Insurance group's profit cut: A decline in fee income from its Lloyd's agencies cut interim pre-tax profit at Sturge Holdings to £325,000 ($500,500) from £2.58m. Page 24

Hallmarks at risk: The 900-year tradition of using crowns, anchors, lions, roses and castles to guarantee the quality of British gold and silver is feared to be under threat from the European Commission. Page 8

Favourite flops: The £750,000 Ever Ready Derby, Britain's premier flat race, was won by Prince Khalid Abdullah's Commander In Chief at 15-2. The event was attended by Queen Elizabeth. Day passes without pomp, Page 9; Observer, Page 15

■ STOCK MARKET INDICES

FT-SE 100:	2863.0	(+13.6)
Yield	4.02	
FT-SE Eurotrack 100	1155.78	(+2.56)
FT-A All-Share	1413.55	(+0.5%)
Nikkei	20,691.70	(+100.29)
New York lunchtime		
Dow Jones Ind Ave	3548.53	(–5.81)
S&P Composite	452.95	(–0.88)

■ US LUNCHTIME RATES

Federal Funds:	$3\frac{1}{8}$%
3-mo Treas Bills: Yld	3.127%
Long Bond	$102\frac{15}{16}$
Yield	6.888%

■ LONDON MONEY

3-mo Interbank	$5\frac{13}{16}$%	($5\frac{7}{8}$%)
Liffe long gilt future:	Jun $104\frac{27}{32}$	(Jun $104\frac{1}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (July)	$18.68	(18.715)

■ Gold

New York Comex June	$369.2	(371.3)
London	$378.25	(375.25)

■ STERLING

New York lunchtime:		
$	1.542	
London:		
$	1.541	(1.551)
DM	2.4625	(2.47)
FFr	8.2975	(8.3375)
SFr	2.1925	(2.21)
Y	166	(166.25)
£ Index	79.5	(80.2)

■ DOLLAR

New York lunchtime:		
DM	1.595	
FFr	5.38025	
SFr	1.4225	
Y	107.4	
London:		
DM	1.5975	(1.592)
FFr	5.385	(5.375)
SFr	1.4235	(1.4245)
Y	107.85	(107.2)
$ Index	63.4	(63.3)

Tokyo close Y 107.12

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft 172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr190	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	HRD5700	India	Rs40	Nigeria	Naira45	Slovenia	SLT220
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr8.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

MCI, BT to set up $1bn joint venture

British and US groups bid for global telecom market

By Andrew Adonis in London and Nikki Tait in New York

BRITISH Telecom and MCI of the US yesterday made a bold bid for leadership of the international telecommunications industry. BT is to take a $4.3bn stake in MCI, the second largest US carrier, and set up a $1bn joint venture with it.

BT will take 20 per cent of MCI and put up three-quarters of the capital for the joint venture, which is designed to exploit the fast-growing market among multinational companies for international voice and data transmission services.

The moves will not delay the sale of the UK government's remaining tranche of BT shares, the prospectus for which will be issued at the end of this month as previously planned.

Coming a week after American Telephone & Telegraph, the largest US carrier, launched its Worldsource venture to pioneer the global market, the new alliance will intensify the battle between AT&T on one side and BT and MCI on the other for international custom, and could reduce significantly the cost of transatlantic calls.

Mr Iain Vallance, BT's chairman, said the investment and joint venture lay at the centre of the company's strategy "to become a leading global provider to multinationals".

Under the deal, BT will put up $830m immediately; the balance will come from cash and borrowings, offset by the $1.8bn BT expects to receive in this financial year from the sale to AT&T of McCaw, its US cellular telephone subsidiary. BT will gain three directors on the MCI board; the chairman of MCI, Mr Bert Roberts, will join the BT board.

BT is paying an average of $64 a share for its MCI stake, a premium on the $52 closing price on Tuesday. As part of the deal, MCI is taking over most of BT's North American assets.

The joint venture, to be located in either Washington or London, will eventually subsume Syncordia, BT's US-based global outsourcing operation. Apart from attracting business, the it will undertake research and development for the two companies, providing a "global platform" for value-added services like frame relay and outsourcing.

Mr Roberts said the alliance was "indicative of future opportunities" in the telecommunications industry, and would help MCI to continue its growth in the US domestic market while competing on the world market.

Both companies stressed the link-up would not affect existing relationships with other international carriers, and made light of potential regulatory hurdles. "We don't expect a regulatory problem," Mr Roberts said. US regulations limit foreign ownership of a US carrier to 25 per cent.

Talks between the two companies, which already have close commercial links, have been progressing for several years. "BT thought they could conquer the US; MCI thought it could conquer the world," said Mr Roberts.

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■ Ringing the changes in telecoms
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Tear gas fired on Belgrade protest

A man takes cover from tear gas hurled by Belgrade police in front of the former Yugoslavia's parliament building. Opposition leaders expressed anger at the violence with which police broke up a demonstration against the removal of federal president Dobrica Cosic.

Fury over beatings, Page 2

EC to look for international links behind racist attacks

By David Gardner in Copenhagen

THE European Community is to investigate whether the recent spate of racist attacks on foreigners across Europe is being fomented by groups organised across national borders.

Spurred by the arson attack at Solingen in Germany, and Tuesday's burning of a Turkish-owned electronics factory near Lyons in France, EC interior ministers meeting in Copenhagen yesterday set up a working party to find out whether the extreme right across Europe is co-ordinating an assault against immigrants.

"We cannot give in to a centuries-old virus that obviously isn't dead," said Ms Ien Dales, the Dutch interior minister.

The decision came on the heels of an agreement by ministers to crack down on illegal immigrants and asylum-seekers in the Community. It also coincided with further wrangling about the failure of all 12 EC states to implement the single market injunction to grant free movement of people in the EC.

The few officials at yesterday's meeting prepared to talk about the investigation were unsure whether there was concrete evidence to suggest an international grouping was organising pan-European racist attacks.

"The incidents are now so frequent that people fear there may be co-ordination," said one Dutch official. "We do not want to take the risk that it is co-ordinated," said Mr Erling Olsen, the Danish justice minister.

The initiative dovetails with an informal discussion held by interior ministers last month at Kolding, Denmark, on whether there is "any added value in a common European response to racism and xenophobia", as a European Commission official put it.

But ministers yesterday for the first time elevated their concerns about the spread of racism to the same status as terrorism and organised crime. These are the subject of a secretive, six-monthly "threat analysis" by EC interior ministers convened as the Trevi group to share intelligence and co-ordinate their response. Racism "is now permanently on the Trevi agenda", a Dutch official said.

The object at national level, he added, would be "to dig in to each incident, to get to the

Continued on Page 16
Europe tries to shut the floodgates, Page 3

Japan and Germany pressed to boost economies

By Peter Norman in Paris and Quentin Peel in Bonn

THE US yesterday renewed its pressure on Japan and Germany to boost their economies as a report from the Organisation for Economic Co-operation and Development said unemployment in the industrial world was reaching "alarming" levels.

Warning that "the world cannot depend on growth in the United States to pull it out of recession," Mr Lloyd Bentsen, the US Treasury secretary, urged Japan to increase its fiscal stimulus. He also called for "further substantial reductions" of European interest rates to promote faster growth.

This thinly veiled call on the Bundesbank to reduce its interest rates was backed by the European Commission. Mr Henning Christophersen, the commissioner for economic affairs, said that it was important to have further reductions in short and long term European rates. "Something has been done, but it is not enough," he said.

Speaking on the first day of the OECD's annual ministerial meeting in Paris, Mr Christophersen said the level of real interest rates was "still very high" in Europe. But the problem was not just confined to Germany. All European Community states could do more, he said.

However, there was little sign that either Germany or Japan would take note of these demands. Mr Günter Rexrodt, the German economics minister, made no mention of interest rates in his speech to the meeting. Instead, he painted a slightly more optimistic picture of economic trends than the OECD, claiming that Germany's economy would contract this year by 1 per cent compared with the OECD's latest forecast of a 1.9 per cent decline.

In Bonn, Mr Helmut Schlesinger, president of the Bundesbank, yesterday firmly rejected calls for swifter and more drastic cuts in German interest rates, but also left the way open

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Scientists hot on trail of flu virus

By Clive Cookson, Science Editor, in London

SCIENCE may at last have outwitted the fast-changing influenza virus. Researchers at Monash University in Australia have designed a promising anti-flu drug that is now being developed by Glaxo, the UK pharmaceutical group.

First details of the drug, known by the code name GR121167X, are published today in the research journal Nature. Laboratory tests in cell cultures and on ferrets show that it has "potent anti-influenza activity" against different strains of the virus.

Human volunteers are expected to begin taking GR121167X – as a nasal spray – within a year. Clinical trials would then last three to five years before Glaxo could seek regulatory approval for the drug.

Influenza is one of the world's most serious infectious diseases, laying low millions of people and killing many thousands even in a non-epidemic year. The virus's extraordinary variability and speed of mutation is matched only by the Aids virus, HIV.

This has so far prevented scientists developing a general-purpose flu drug. Flu vaccines are limited in their effectiveness and a different cocktail has to be injected every year, depending on which strains are prevalent.

The Australian researchers tackled the problem by identifying an enzyme on the surface of the virus which does not vary between different strains. They then used computer modelling to design a drug that would fit into the enzyme molecule and stop it working.

"This is one of the very few examples so far where computing has been used right from the beginning of the drug discovery process," Glaxo says.

Other companies are investigating anti-flu drugs. Wellcome of the UK, for example, has an experimental compound aimed at a different enzyme, which would be taken by mouth.

But Dr Garry Taylor, a Bath University biochemist, says GR121167X seems to be the most promising so far, "though it is possible that drug-resistant forms of the virus could arise during the clinical trials".

At the same time, vaccine manufacturers such as Merieux of France are working to develop longer-lasting and more effective flu jabs.

Everyone's aim, says Dr Taylor, is to have an effective treatment ready when the next great pandemic strain of flu emerges. The Australian research suggests that science may get there in time.

Soros deal excites UK property market

By Vanessa Houlder and Maggie Urry in London

THE PROPERTY sector on the London stock exchange was set alight yesterday when Mr George Soros, the international fund manager, announced plans to invest £284m ($435m) in the stricken UK property market.

Mr Soros, who is reputed to have made a £1bn profit betting on a devaluation of sterling last autumn and who in April this year excited gold bugs by investing $400m in a mining company, is forming a £500m partnership with British Land, the UK's fourth largest property company, headed by Mr John Ritblat.

British Land and Quantum Group, a $9bn investment management company advised by Mr Soros, will each put up £250m which will be used to buy a portfolio of properties. Quantum is also investing nearly £34m in British Land shares.

Yesterday's agreement by two such influential investors was seen in the stock market to underline recovery hopes in UK

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Milosevic denounced for arrest of more than 20 politicians and journalists

Serb opposition furious at beatings

By Kerin Hope in Belgrade

LEADERS of Serbia's democratic opposition yesterday denounced the government of President Slobodan Milosevic, calling the arrest and beating of more than 20 opposition politicians and journalists "a brutal crime".

Mr Nicola Milosevic, head of the Serbian Liberal Party, told a news conference: "This was an unprecedently violent action instigated by Slobodan Milosevic and his police. It is a totalitarian regime that arrests the leader of the biggest oposition party."

The democratic politicians demanded the immediate release of those arrested and the resignation of the interior minister. However, their call for a mass demonstration outside the federal parliament yesterday went unheeded.

The violence with which police broke up Tuesday night's protest against the removal of Mr Dobrica Cosic, the federal president, apparently succeeded in intimidating opposition supporters.

Serbia's democratic opposition has become increasingly marginal as radical nationalist leaders, backed by paramilitary groups, have gained ground. "There is a new ascendancy of the ex-Communists. We are heading for worse troubles," said Mr Borislav Mihailovic, a leading member of Depos, a coalition of democratic groups.

On Tuesday night police fired rubber bullets and teargas at several thousand people gathered outside parliament, the largest demonstration in Belgrade for more than two years. One police officer died from gunshot wounds and more than 30 people were injured in street battles.

Mr Vuk Draskovic, head of the Serbian Renewal Movement (SPO), the largest opposition party, was in a serious condition with a fractured jaw and other injuries after he was beaten by police who burst into the party offices early yesterday morning, an SPO spokesman said. "He was beaten in the lift as he was taken away by police and again in the courtyard of police headquarters. He has had to undergo surgery."

Mr Draskovic, a charismatic figure who led violent demonstrations against the Milosevic government in 1991, was arrested with senior party officials and local journalists.

● Bosnian Serb troops were reported to be closing in on the Moslem enclave of Gorazde yesterday, as an upsurge of fighting threatened to disrupt aid operations across the former Yugoslav republic, Reuter reports from Sarajevo.

UN officials, confirming Bosnian government reports of the Serb assault on Gorazde, said Nato aircraft had spotted fires close to the enclave thought to have been caused by shelling.

The UN yesterday halted relief flights to Sarajevo after snipers wounded four French soldiers.

Summit backs sovereignty for Bosnia

By David Buchan in Beaune

RIGHT, LEFT, RIGHT: striding out after their meeting in Beaune are (from the left) Edouard Balladur, France's conservative PM, François Mitterrand, its Socialist president, and Helmut Kohl, Germany's conservative chancellor.

FRANCE and Germany yesterday papered over their tactical differences on Bosnia with a joint declaration stressing the two countries had not given up on the eventual aim of guaranteeing "the territorial integrity and sovereignty" of the war-torn republic.

Restating this goal of the Vance-Owen peace plan was designed to allay the impression, drawn from the recent "Washington action plan", that the international community had conceded victory to the Serbs in Bosnia, and was only interested in sheltering the dispossesed Moslem refugees in designated "safe areas" and ensuring the safety of its own peacekeepers.

The Washington plan had drawn sharp criticism from Germany which had no hand in its drafting. Mr Volker Rühe, defence minister, who was present at yesterday's Franco-German summit in Beaune, was quoted as calling it "morally catastrophic".

At yesterday's press conference concluding the bilateral summit, Chancellor Helmut Kohl pointed with satisfaction to the declaration's "refusal to accept [Serb] gains won by armed force". In return, Germany promised its backing for France's proposal for the United Nations Security Council to extend the mandate of UN troops to cover protection of Bosnia's civil population.

Having overcome the "misunderstanding" on Bosnia, Mr Kohl gave general backing to the idea of Mr Edouard Balladur, French prime minister, for a new European conference to draw lessons from the Yugoslav tragedy and to plan for Europe's future security.

Mr Balladur, with the support of President Mitterrand, signalled that the security conference idea may be presented jointly to the EC's forthcoming Copenhagen summit.

France and Germany are also likely to present their own slant on the jobs and economic growth initative being prepared by the European Commission for Copenhagen, Mr Balladur said. He deplored Europe's situation as having "the weakest growth and highest short-term interest rates" of any major region.

● France's trade surplus rose in February to FFr4.76bn, (£560m) up from FFr3.3bn in January.

Community to establish anti-drugs unit

By David Gardner in Copenhagen

EC interior and justice ministers yesterday decided to set up a joint anti-drugs squad from next month, as part of an effort to prevent organised crime exploiting the Community's barrier-free single market.

The unit, designed to pool intelligence and develop a combined strategy against narcotics trafficking, will come under Europol, the criminal intelligence office called for by EC heads of government two years ago.

However, Europol is still not operational. In an embryonic and underemployed form, it has a temporary headquarters in Strasbourg. Getting it beyond that stage awaits a convention to accommodate the differing civil liberties traditions of the 12, and a decision on where to locate new EC bodies, which has been delayed by a series of competing claims.

The ministers nevertheless felt it was sufficiently urgent to get an EC anti-drugs effort up and running in advance of these decisions.

If the Copenhagen summit on June 21-22 does not resolve the issue, the interior ministers intend to meet here again on June 29 to agree a temporary site for the drugs unit.

The unit itself will be modestly staffed by about 70 people, with each member state seconding officers to it. Liaison between member states and the analysis of intelligence will be its main work, overseen by the interior ministers, who now meet as the secretive Trevi group.

Ministers also agreed recommendations to tighten up on money laundering and the organised crime activities of motor cycle gangs, and to examine ways of combatting the traffic in women and children for prostitution, and the illegal cross-border transport of toxic waste.

Csurka: ousted by MPs

Hungarian party split may force election

By Nicholas Denton in Budapest

TENSIONS within Hungary's governing conservative party, the Hungarian Democratic Forum (HDF), have led to an open split which could lead to the party's defeat in parliament and early general elections.

Members of the HDF voted late on Tuesday night to expel Mr Istvan Csurka and three other right wing nationalists from the parliamentary party. Mr Csurka, is a well-known writer and author of an anti-communist and anti-semitic manifesto which threw Hungarian politics into turmoil when published last August.

Three far-right associates were also cast out including Ms Izabella Kiraly, a campaigner for the "peaceful reunification" of the Carpathian basin once ruled by Hungary. Mrs Kiraly has organised a demonstration tomorrow against the 1920 Trianon treaty, which took away two thirds of former Hungarian-controlled territory and left over 3m ethnic Hungarians as minorities in neighbouring Romania, Slovakia, Croatia and Serbia.

A nation-wide HDF party meeting this weekend is set to confirm the expulsions and sanction the resulting split. It remains to be seen how many MPs from Mr Csurka's Hungarian Justice faction will follow him out of the HDF.

Government officials hope that only 10 MPs are solidly behind the populist leader, but a defection by all or most of the 29 Justice faction MPs would cost the government headed by Mr Jozsef Antall, the prime minister, its parliamentary majority.

Hungary's constitution makes it difficult for parliament to pass motions of no-confidence, but Mr Antall said this week that he was unwilling to lead a minority government. The Antall government has enjoyed a longevity unmatched in eastern Europe. But ministers, previously determined to survive until elections scheduled for May 1994, are now for the first time talking openly about the possibility of an early vote.

The first test of the Forum's majority will be the parliamentary vote on measures to bring the public-sector deficit down to 5.6 per cent of GDP in 1994 in line with the recommendations of the International Monetary Fund.

Protests against the government's proposed austerity measures are making it more difficult to keep parliament in line. Teachers this week demonstrated against the planned freeze on public-sector pay and the public is irate at the government's intention to increase value-added tax on food, pharmaceuticals and household heating.

NEWS IN BRIEF

Gaidar to foster reform effort

MR YEGOR GAIDAR, the former prime minister who launched market reforms in Russia, is to help fund and organise reform-minded candidates in next year's parliamentary elections, writes Leyla Boulton in Moscow.

He said yesterday that the new Association of Privatised and Private Businesses, of which he is president, would promote the political interests of a new class of property owners, as well as help former state-owned enterprises operate like market-driven companies elsewhere in the world.

Mr Pyotr Filippov, the association's vice-president, said it would try to substitute for Russia's lack of strong political parties by rallying qualified candidates around a single reformist bloc to produce "a pro-market, anti-inflationary parliament".

Kravchuk denied extra power

The Ukrainian parliament yesterday blocked President Leonid Kravchuk's bid for additional power. It also refused to give Mr Leonid Kuchma, prime minister, the extraordinary authority over the economy he requested, writes Chrystia Freeland in Kiev. It is unclear whether Mr Kuchma will agree to stay in office, having threatened to resign unless he had his way.

Parliament's vote is a serious defeat for Mr Kravchuk, who last month undermined his prime minister's request for greater economic authority by launching his own bid for extra powers.

The parliamentary speaker, Mr Ivan Pliushch, put the president's proposed constitutional amendments to two ballots but still failed to push them through. As a result, the Ukrainian government returns to the situation last autumn before the prime minister was granted the right to rule the economy by decree.

Mr Pliushch denied there was a political crisis, but Mr Serhii Teriokhin, deputy economy minister, disagreed. "We have recreated the governmental paralysis we had six months ago," he said. "We have frozen our economic reform programme in mid-step."

Working hours challenge discounted

Britain's legal challenge to Europe's 48-hour working week is nothing more than a ruse, the European Commission said yesterday, PA reports from Luxembourg. Mr Padraig Flynn, social affairs commissioner, was adamant that the threat from Britain was just an attempt to divert attention from the UK government's failure to derail his working time directive.

Absenteeism costs Ireland dear

Absenteeism, mostly due to certified illness, is costing Irish business an estimated I£600m ($895m) a year, with some 12m working days being lost in 1992, according to a report by the Irish Business and Employers' Federation, writes Tim Coone in Dublin. That was 65 times higher than losses through strikes.

The report, based on a survey of 343 private companies employing 60,000 people in manufacturing, distribution and services, said 4.5 per cent of available working time was being lost in this way. This compares with 3.5 per cent in the UK.

Georgia to drop the rouble

Georgia, in the throes of civil war, has become the latest former Soviet republic to announce plans to abandon the rouble as its currency, writes Leyla Boulton. Mr Tengiz Sigua, the Georgian prime minister, was quoted yesterday by Interfax news agency as saying the rouble would be replaced by coupons issued in April to pay wages, pensions and student grants after Russia cut off deliveries of banknotes. He did not say when this would occur.

Meanwhile, President Boris Yeltsin yesterday threatened to impose economic sanctions on impoverished former Soviet republics which did not repay their debts to it.

EC postal reform faces hitches

By Andrew Hill in Brussels

DRAFT legislation to increase competition in EC postal services could be ready this autumn if ministers agree to push ahead with liberalisation. The European Commission said yesterday it hoped ministers would press for formal proposals on June 16, with a view to agreeing legislation as early as next summer.

But Commission "guidelines" on the next moves, published yesterday, indicate several difficult problems. In particular, months of talks with consumers, postal administrations, governments and unions have failed to produce a detailed definition of the areas which should remain under the control of national postal monopolies.

In a discussion document last year the Commission said it favoured opening express services and the mailing of publications to greater competition, and liberalising direct mail and cross-border postal services. It indicated it might allow national monopolies to retain control over domestic personal and business correspondence, but industry and consumers have yet to agree on the precise weight and price of mail which would fall into this reserved area.

The Commission said yesterday it wanted to set an acceptable overall definition of the so-called "universal service" and reserved areas, rather than build liberalisation of the sector on the shaky foundation of a series of court rulings.

Mr Geoffrey Cruikshanks of the Association of European Express Carriers said yesterday that the Commission should allow competition in the market to improve the quality of services, rather than trying to influence performance with legislation.

The Commission said there appeared to be general agreement on the need for EC action in separating regulation and operation of postal services, defining universal services, setting common criteria for access to the market and quality of service, and setting technical standards.

Commission pulls back the curtain

By Lionel Barber in Brussels

THE EUROPEAN Commission yesterday adopted plans to make the conduct of EC business less secretive, establishing the principle that most EC documents should be made available on demand.

It is also moving tentatively toward the creation of a register of lobbyists, but both these moves depend on agreement with the European parliament.

The EC believes its new "openness policy" will combat public ignorance and, in the longer run, rebuild its credibility with European citizens.

On lobbying, the Commission plans to create a database on interest groups which would be open to the Parliament, Commission, and public. It also plans to create a directory of all non-profit organisations; commercial groups would form their own register and a draft code of conduct.

Under the new guidelines, documents would remain confidential if their disclosure is judged to damage national security, monetary stability, judicial procedures, commercial confidentiality, personal privacy, or the financial interests of the EC.

Walesa cuts parties in September poll

By Christopher Bobinski in Warsaw

PRESIDENT Lech Walesa yesterday called a general election for September 19.

A day earlier, Mr Walesa had signed an election law which promises to cut the number of parties in the next parliament.

The September election will still be held under the proportional representation system which in 1991 introduced over 20 political groups into the last parliament. But the reform means that those parties which fail to get 5 per cent of the national vote will not be represented. In addition, umbrella organisations will have to win more than 8 per cent of the vote to gain any seats.

The new rules also stipulate that candidates must gather 3,000 signatures to stand, unless they are representing parties that held 15 or more seats at the start of the previous parliament.

Poll could turn spotlight on Juan Carlos

Hung parliament would hand the king a tricky role, writes **Tom Burns**

SPANISH ELECTIONS

IF Spain's 30m voters next Sunday elect the hung parliament suggested by opinion polls, King Juan Carlos will face the most delicate task of his 18-year reign as a constitutional monarch. He will be required to fine tune his political instincts in order to choose a candidate for prime minister capable of gaining a majority in parliament. It is a role that Belgium's King Baudouin has often been called upon to play but in Juan Carlos' Spain it is quite novel.

Under Spain's constitution, the monarch must consult the leaders of the political parties following a general election and ask one of them to form a government. The selected politician must then win the endorsement of parliament, through what is called the investiture debate.

In the five elections that have taken place since democracy was restored following General Franco's death in 1975, voters returned a clear governing majority and made the monarch's task a mere formality. "This time the king's consultations will really have a purpose," Mr Miguel Herrero de Miñón, a constitutional expert who helped frame the constitution, said yesterday.

If the election does produce a hung parliament, it could take at least six weeks for a prime minister and a new government to emerge. For a start, the monarch cannot begin to sound out political leaders and assess the new balance of power until the 350-member parliament elects its speaker on June 29 when it first meets.

The constitution says the monarch can only summon politicians to the royal palace by issuing invitations through the speaker. This time gap is to allow for recounts in contested seats.

The vote for speaker should indicate what political alliances the parliamentary parties can be expected to forge in the subsequent investiture vote to endorse the king's candidate for prime minister. At present the investiture vote is tentatively scheduled to take place in mid-July.

One snag could be that the parties might be unable to agree immediately on a speaker, a development which could further delay the emergence of a government.

The monarch is not obliged by the constitution to nominate the leader of the parliamentary party that has won the most seats in parliament. The purpose of his consultations with the politicians will be to choose which of them will be most likely to pass the investiture hurdle and lead a strong coalition government. The closer the vote on Sunday, the more lengthy the consultations are expected to be.

On the basis of the opinion polls the two majority parties, the Socialist and the centre-right People's Party, will be so far short of a working majority that they will need the support of at least two minority parties to form a government. The potential partners for either are the Catalan and the Basque nationalists, but it will, in all likelihood, be up to the king to broker such an implicit or explicit coalition.

Should Juan Carlos's initial candidate fail to be endorsed in the investiture debate next month, the constitution lays down a new round of consultations and the nomination of a second candidate. There is no limit to the number of candidates the king can propose, nor does he, according to strict letter of the constitution, have to nominate an elected member of parliament.

In the event of a deadlock, Juan Carlos can in theory nominate an independent candidate, much in the manner that Italy's President Oscar Luigi Scalfaro invited Mr Carlo Ciampi, the former governor of the central bank, to form a government.

However, unlike Italy's constitution, Spain's has a built-in safeguard to a prolonged parliamentary paralysis. After the parliamentary vote to elect Juan Carlos's candidate, the constitutional clock starts ticking. Should the new legislature fail to elect a new prime minister within two months, it is automatically dissolved and new elections will have to be held not later than two months later.

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NEWS: EUROPE

FT writers assess the immigration crisis in W Europe as EC ministers in Copenhagen agree tougher guidelines

Europe tries to shut the floodgates

WESTERN Europe is turning to stricter border controls, tougher police methods and deportations in its struggle to keep out a tide of unwanted and illegal immigrants.

Mr Charles Pasqua, the hard-line interior minister in France's new conservative government, yesterday announced that France did not want to be a country of immigration any longer. "The objective we have set ourselves is zero immigration," he told Le Monde, on the same day as he presented draft legislation restricting immigrants' rights to family reunion and extending police powers.

By Ian Davidson

Last week in Bonn, despite heavy street protests from demonstrating liberals, the German Bundestag revised the constitution to tighten up the country's asylum laws. Yesterday in Copenhagen, European Community governments agreed tougher guidelines for combating illegal immigration.

It is the asylum seekers, demanding the right of asylum under the 1951 United Nations convention that have prompted the most anxiety. Ten years ago the total number of people seeking asylum in 23 European countries, from Poland to Portugal, was just over 71,000. Last year the figure was over 700,000.

Over 2m people have claimed asylum in European countries in the past four years. Small numbers have now started claiming asylum in eastern Europe, but the overwhelming majority have sought entry into western Europe.

Cumulatively, Germany has taken over 1m asylum seekers during the past four years – more than half the European total – with 438,000 registered last year. The scale of the influx helps explain the waves of violent xenophobia in Germany, which culminated this week in the killing of five Turks in Solingen.

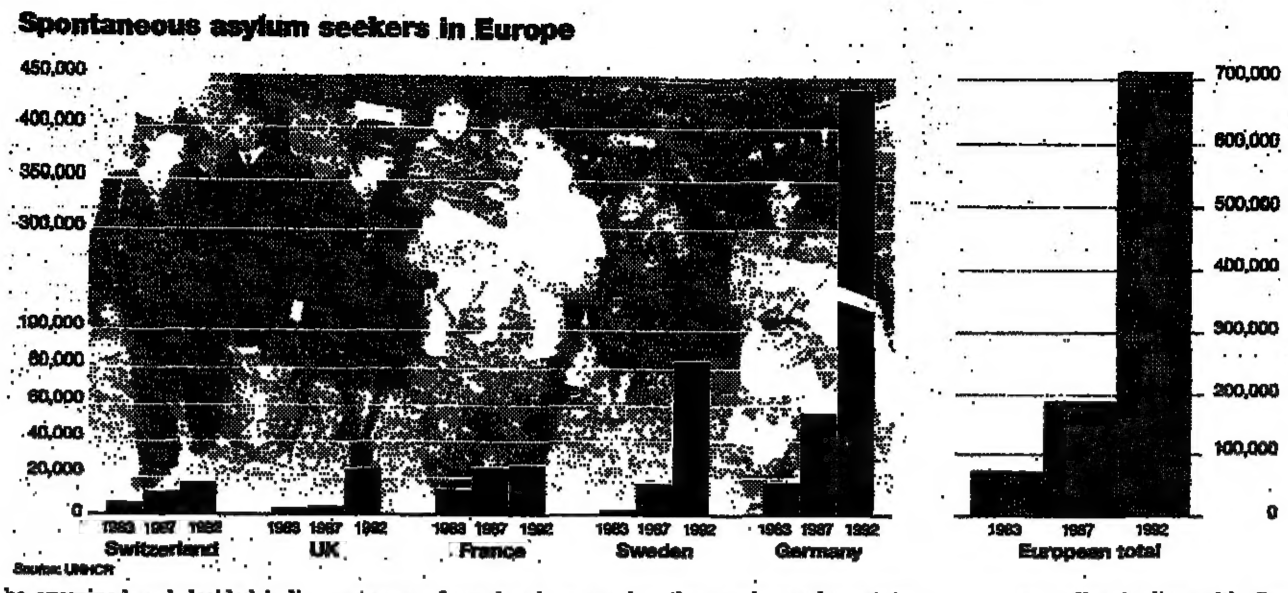
Germany has been the chief destination of people fleeing from war, starvation and persecution because its asylum law has until now been the most liberal. But all of western Europe has been affected by the wars and political disintegration that have followed the end of the cold war. Sweden received 3,000 asylum requests 10 years ago; last year it had 83,000, France received 27,000, and Britain 25,000.

Now at crisis point, most European countries are introducing tighter restrictions. Austria has hardened its asylum law, a new asylum law is before parliament in Spain, the Netherlands has introduced tougher legislation, and a new asylum law is going through the British parliament.

There are limits to governments' freedom to change their asylum laws, however. Under the UN Convention, asylum is not a privilege which governments may give or withhold arbitrarily; it is a right which they are required to extend to any individual who can show a "well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion".

Since asylum is granted individually, each application must be examined and decided individually, which, with the recent surge in asylum seekers, has meant a large backlog. The principle is manifestly unsuited to large waves of people escaping from civil war or political disintegration.

Spontaneous asylum seekers in Europe



Source: UNHCR

Those fleeing the fighting in Somalia or the former Yugoslavia, are obviously not just "economic migrants" seeking a more comfortable life, as right-wing politicians sometimes claim. On the other hand, they may not meet the criteria of the Convention. Governments are thus caught between the desire to shut out all illegitimate immigrants, and the reluctant recognition that many of them simply can not, on humanitarian grounds, be sent back where they came from.

As a result, the migrant flood has spawned a whole new category of people who are neither given formal refugee status, nor expelled. In most countries, asylum is granted in only a minority of cases, and the proportion has fallen as numbers of applicants have risen.

Last year in Britain, just under 6 per cent of decisions were positive and 20 per cent were negative; but 74 per cent were neither, instead receiving "Exceptional Leave to Remain".

According to a 15-country study by the European Consultation on Refugees and Exiles (Ecre), the umbrella organisation for European refugee groups, "at least 80 per cent of all rejected asylum seekers remain in one way or another". The good news from a humanitarian point of view is that they are not sent back to their civil war. The bad news is that their civil rights are far fewer than under asylum status.

In Germany, Britain, Austria, and the Netherlands, this lesser right to remain is short-term, usually for a year at a time. It gives no right to a travel document, and no right to family reunion. In France, Belgium, Greece and Italy, *de facto* refugees are left in limbo without any rights at all.

In response to an appeal from the UN High Commissioner for Refugees, some western countries have agreed to take in small numbers of victims of the war in Bosnia. However, they have given them a new and still more precarious status of "temporary protection", usually valid for only six months.

After last week's vote in Germany, any asylum seeker who comes through a "safe" neighbouring country can be sent back there. This will bring German policy in line with Community principles, as agreed in Dublin in 1990. But many experts doubt the policy will work in practice: if asylum is unavailable, would-be migrants will simply go underground.

The European Consultation on Refugees believes that the concept of asylum should be revised and broadened to bring it into line with the facts in the real world; and ideally, the 12 should develop a European Asylum Agreement.

Mr Philip Rudge, the general secretary of Ecre, is openly contemptuous of the results of this week's Copenhagen meeting. "This is just a temporary holding operation", he says. "They have not yet reached the maturity for a comprehensive, shared European refugee policy. It is called the Ad Hoc Group on Immigration: it is brilliantly named".

France prepares bill to tighten foreign entry rules

FRANCE'S new conservative government yesterday approved a draft bill to tighten curbs on immigration, which Mr Charles Pasqua, its hard-line interior minister, wants to bring close to zero, David Buchan reports from Paris.

The bill, whose passage through parliament is ensured by the conservatives' large majority, would set tougher rules on the entry and stay of foreigners in France. The country has been taking about 100,000 immigrants a year, about a third of them admitted in order to join members of their families already in France.

The new bill would require foreigners to be legally resident in France for two years before their families could join them. This would not, however, affect citizens of other EC countries, nor is it expected to apply to expatriate employees of foreign companies in France.

Polygamists or students would be barred from having their families join them in France. To crack down on marriages of convenience, foreigners would only get French citizenship a year after their marriage to a French spouse and on proof of cohabitation.

The tougher rules on family reunification, which also enshrine the right to political asylum in French law for the first time, follow recent legislative moves to narrow eligibility for French citizenship and to widen police powers to make spot identity checks. They also coincide with unemployment, rising sharply to 3.1m or 10.9 per cent of the workforce in April, and economic recession.

Mr Pasqua cited this when he told Le Monde newspaper this week that France could no longer be considered a country of immigration.

In contrast, Chancellor Helmut Kohl said yesterday at the close of the Franco-German summit in Burgundy that Germany "must remain a country hospitable and welcoming" to foreigners.

The German leader was admittedly reacting to the tragedy at Solingen last Saturday in which five Turks died in an arson attack blamed on right-wing extremists.

Anti-German sentiment of Turks hardens

UNTIL a few days ago, Onder Daloglu, a 19-year-old Turk born in Germany, had one dream. He wanted to be a German policeman. Last month, he passed the exam required to enter the police training course and the same day he applied for German citizenship.

He never imagined that within weeks he would find himself shoulder to shoulder with fellow Turks charging shielded German police. Yet for four consecutive nights in Solingen, that's just what he has been doing.

"Tomorrow, I will cancel my citizenship application," he says, taking a break from the riots which have shaken his local town since five Turks died last Saturday in an arson attack blamed on teenage neo-Nazis.

Onder Daloglu, like the hundreds of other young Turks on the streets of Solingen, has never felt as Turkish as in the last few violent days.

The continuing wave of attacks against foreigners is hardening the anti-German sentiment of the country's 1.8m Turks and posing serious questions over how Germany's largest foreign community can be integrated.

Reacting to the Solingen deaths, Turkish organisations all over Germany have demanded greater political rights for their compatriots, most of whom arrived in the 1960s and 1970s following a 1961 labour agreement between Turkey and Germany.

At the moment, foreigners applying for German citizenship face some of the toughest requirements in Europe. A minimum of 10 years' residence is needed, while foreigners born in Germany must have lived there for at least eight years.

Along with the opposition Social Democrats, Turkish organisations say these conditions should be eased. But Chancellor Helmut Kohl's Christian Democratic Union, together with the Christian Social Union, its Bavarian sister party, have so far refused to dilute the access to German citizenship, based on a 1913 law.

"Foreigners, foreigners, that's all our children, born in Germany, have heard since nursery school," says Mr Ahrmet Aktas, leader of the Turkish community in Essen, as he walks down the streets of Solingen, shaking hands with young Turks wearing flags and nationalistic emblems. "We must give them the chance to feel German and to vote," he adds, echoing the feelings of other Turkish leaders.

By Ariane Genillard in Solingen

The recent spate of violence has prompted the German government to devise a tougher immigration policy, but integration may prove harder.

Many Turkish organisations are calling for dual citizenship. Turks in Germany have been unwilling to renounce their Turkish nationality and opt for a German passport.

"Our people here are not ready to give up their Turkish identity. Germany has never shown them that they belonged here. How can they trust they will be at home here, especially now?" explains Mr Hakki Keskin from the Alliance of Turkish Immigrants in Hamburg.

Smoking a cigarette in front of the Turkish restaurant his parents run, Onder is watching the streets eagerly. He wants to make sure he doesn't miss the neo-Nazis expected in Solingen tonight. "Defend the Germans? No, not really. That's no longer what I will do with my life," he says, looking back at his father who is busy feeding the demonstrators.

THURSDAY JUNE 3 1993

Csurka: ousted by MPs

Hungarian party split may force election

By Nicholas Denton in Budapest

Police quell new unrest in Bombay

By Stefan Wagstyl in New Delhi

FEARS of renewed inter-religious unrest resurfaced in Bombay, India's commercial capital, yesterday after violence broke out at the funeral of a murdered leader of the Bharatiya Janata Party, the militant Hindu party.

Over 3,000 soldiers and police were deployed on the streets to prevent any repetition of the riots which hit Bombay in the winter after Hindu militants stormed a mosque in the holy town of Ayodhya and set off nationwide inter-religious violence. Yesterday's incident was the most serious threat to public order since the terrorist bombs which rocked Bombay in early March.

Fighting broke out when police tried to stop mourners stoning a mosque on the funeral route. The police fired tear-gas shells at the crowd.

The mourners were marking the death of Mr Premkumar Sharma, a member of the Maharashtra state assembly, who was shot dead outside his home on Tuesday.

Mr Premkumar was killed just days after the assassination of another militant Hindu politician – Mr Ramesh More, a member of Shiv Sena, the radical Bombay Hindu grouping.

There was widespread concern that militant Hindus might seek to avenge the two deaths by attacking Moslems.

The city has been calm since March because BJP and Shiv Sena leaders have urged their supporters to avoid violence, even though Moslems are widely blamed for the bombings.

The police suspect the blasts were organised by Moslem-led criminal gangs, possibly with help from Pakistan or another Islamic country.

The two brothers whom police regard as the principal organisers of the attack – Yakub and Ishaq Memon – fled to Dubai and were later thought to have gone to Pakistan.

The 70 or so people arrested in Bombay are all Moslems.

However, the militant Hindu leaders' patience may be cracking under pressure from radical supporters. Mr Bal Thackeray, chief of Shiv Sena, has warned that he would not tolerate attacks on his friends such as Mr More.

The police investigation into the blasts has also disclosed tensions amongst different criminal gangs and among politicians, some of whom have been connected to the protection of gangs.

Fears of religious unrest are resurfacing in Bombay after violence broke out at a Hindu leader's funeral

Mr A S Samra, the Bombay police chief, last night assigned police guards to all Bombay politicians.

He said that there might be a criminal conspiracy behind the killings of the two politicians, but no firm link had been established.

Mr More was involved in trade unions linked to Shiv Sena which have been spreading through Bombay, in some cases attempting to force companies to stop hiring Moslems.

Mr Sharma, a well-liked politician, helped the police in their investigations of the blasts by providing information about the business activities of criminal gangs in his constituency. The police suspect this may have been a reason why he was singled out for attack.

● The government last night ordered an inquiry into a train accident in which 25 people died and scores were injured when an express was derailed in south India yesterday.

Sihanouk offers mediation after poll

By Victor Mallet in Phnom Penh

CAMBODIAN ELECTIONS

Sihanouk: invited party leaders to his palace for talks

PRINCE Norodom Sihanouk, the former Cambodian monarch, has offered to mediate between the two parties which won the most votes in last week's UN-organised election, in an attempt to avert a violent confrontation.

With more than four fifths of the ballots counted, the royalist opposition party Funcinpec appears to have beaten the government's communist Cambodian People's Party.

So far Funcinpec has 45.7 per cent of the valid votes, against 38.1 per cent for the CPP with smaller parties securing the remainder.

The royalists may not have won enough seats in the new 120-member assembly to form a government on their own, but CPP leaders have been stung by the government's apparent defeat and are challenging the election results.

Yesterday the UN Transitional Authority in Cambodia (Untac) announced with regret that the CPP had withdrawn party agents from vote-counting centres in the pro-Funcinpec provinces of Kandal, Battambang and Kompong Cham. The CPP has also called for new elections in a further four provinces.

Prince Sihanouk said he had invited his son Prince Ranariddh, the Funcinpec leader, and Mr Chea Sim, head of the CPP, to lunch at his palace in Phnom Penh to resolve the problems facing Cambodia, "given the major dangers which our people, our nation and our country could face in the days and weeks ahead."

Prince Sihanouk said both parties were winners in the poll.

His half-brother Prince Sirivudh, who is in charge of Funcinpec's Phnom Penh office, yesterday expressed concern about continuing government attacks on Funcinpec supporters in the provinces. He dismissed CPP threats of insurrection over alleged election fraud as "blackmail."

Untac, together with the foreign governments supporting its $2bn (£1.3bn) mission to bring peace and democracy to Cambodia, has already rejected the CPP's accusations.

"I hope we don't go back to the jungle," Prince Sirivudh told reporters. "I hope we don't go back to fighting again... You spend $2bn on this operation to do what? To see fighting in Cambodia?"

Prince Sirivudh said Prince Ranariddh wanted to return to Phnom Penh as soon as possible from a Funcinpec enclave on the Thai border to begin talks. However, he was unable to do so because the outgoing CPP-led government would not allow his aircraft to land at the main airport; Prince Chakrapong, another member of the royal family who is loyal to the CPP and has a feud with Prince Ranariddh, is in charge of civil aviation.

While Untac is preparing to spend up to $7m a month to pay soldiers and civil servants until the new assembly writes a constitution and forms a new government, Cambodian politicians and foreign diplomats are looking to the paternalist but erratic Prince Sihanouk to broker a coalition.

"I think he is still the father of the nation," said Prince Sirivudh. "He still sticks to national reconciliation for all his children."

Winnie Mandela avoids jail term

By Patti Waldmeir in Johannesburg

SOUTH AFRICA'S Appeal Court yesterday set aside a six-year jail term for Mrs Winnie Mandela, the estranged wife of African National Congress leader Nelson Mandela, although it upheld her conviction for kidnapping.

The court amended the penalty to a R15,000 (£3,026) fine or one year in prison, and a two-year term conditionally suspended for five years. It dismissed her original conviction on a charge of accessory to assault on four black youths at her home in Soweto.

The decision is likely to defuse potential trouble among young black supporters during South Africa's transition to democracy. But criminal experts said it appeared an unusually light sentence for kidnapping.

Mrs Mandela was originally convicted and sentenced in May 1991 to five years' imprisonment on four counts of kidnapping and one year as an accessory to assault.

The Appeal Court also ordered her to pay compensation of R5,000 each to the three surviving victims of the 1988 kidnappings and assaults. The body of a fourth victim, 14-year-old Stompie Seipei, was found in a field in January 1989.

Nelson Mandela greets schoolchildren during a tour of troubled schools in the Western Cape region yesterday which have been hit by both strike action by teachers and boycotts by students. Mr Mandela appealed for calm and a return to classes

Mr Justice Corbett, the chief justice, said that he believed a substantial fine, suspended sentence and payment of compensation to the victims was a fit punishment which would also achieve a measure of "social justice".

Mrs Mandela's estranged husband said yesterday, after meeting President F W de Klerk, that the ANC and government were very close to agreement on a date for the first all-race elections. It was their second meeting this week. Mr Mandela told reporters the two sides had made substantial progress on constitutional issues. Mr de Klerk concurred, saying: "We are doing our level best to ensure progress in the negotiation process. We have worked around the clock... and we will continue to work until we reach the moment where further progress can be registered."

Burundi's leader in election defeat

BURUNDI'S military leader, Jean Pierre Buyoya, was unexpectedly beaten in the country's first democratic election by challenger Melchior Ndadaye, according to undeclared provisional results, Reuter reports from Bujumbura.

The results, to be announced late yesterday by the Interior Ministry, showed that Ndadaye confounded forecasts and polled more than 60 per cent of the vote.

Mr Buyoya, 44, took power in a 1987 coup and comes from the minority Tutsi tribe. Mr Ndadaye, leader of the Burundi Democracy Front, is a member of the Hutu majority.

It was the first democratic election in the central African state since independence from Belgium in 1962.

The history of the central African state since independence from Belgium in 1962 has been marred by the slaughter of hundreds of thousands of people, mostly Hutu killed for challenging their Tutsi masters.

"The government is in a state of total shock. The Tutsis are very upset. They just did not expect this to happen," said one Western election monitor.

Mr Buyoya and his supporters have accused Ndadaye of representing the outlawed Palipehutu – the party for the liberation of the Hutu people – which was blamed for a guerrilla attack on the tiny lakeside capital in November.

Tunisian torture claim

Hundreds of women have been detained, harassed and intimidated in Tunisia in the past two years, says a report published today by the London-based human rights organisation, Amnesty International, writes Francis Ghilès.

The report also says that "scores (of women) were tortured, ill-treated, beaten and sexually abused and threatened with rape in the ministry of the interior and police stations where torture and ill-treatment of men detainees had become routine."

Initially, women were targeted by the Tunisian security forces because they were relatives of the now-banned Al Nahda (Renaissance) movement. However, the report adds that "since the middle of 1992, women activists and the wives of activists of the Parti Communiste des Ouvriers Tunisiens have been subjected to the same pattern of human rights violations."

Unita attacks oil depot

Suspected Unita rebels attacked onshore oil storage tanks at Angola's second main oil centre, Soyo, the Petrofina oil company confirmed yesterday, Reuter reports from Luanda. A spokesman for the Belgium-based oil company said two storage tanks, each with a capacity of 70,000 cubic metres, had been attacked on Tuesday. He estimated the damage at $15m and said around 400,000 barrels of oil may have been lost.

He said it was not clear who had carried out the attack on the installations, some 15 miles south of Soyo, but added that it bore the hallmark of Unita rebels who recaptured the north-western town recently.

Beijing repeats offer of talks with Dalai Lama

By Tony Walker in Beijing

UNDER international pressure over human rights in Tibet, China yesterday repeated its offer to hold talks with the Dalai Lama, the exiled Tibetan spiritual leader.

But the official Xinhua news-agency made it clear there would be no shift in the Chinese position that Tibet is an "inalienable part of China", and that discussion of independence would not be countenanced.

The governor of Tibet, Gyalcon Norbu was quoted as saying that "any form of talks can be held with him (Dalai Lama) so long as he abandons his stand on independence, semi-independence or independence in a disguised form."

China's offer to receive the Dalai Lama follows last week's nationalist demonstrations in Lhasa, the Tibetan capital, which involved up to 4,000 people who were dispersed by security personnel firing tear gas canisters. The disturbances took place a day after a European Community fact-finding mission to Tibet ended in recrimination after two Tibetans were arrested, allegedly to prevent them making contact.

The EC has expressed disquiet over the general human rights situation

The EC this week protested over the arrests, saying it was "deeply concerned" at police action against demonstrators last week, and urged the Chinese to release the individuals concerned.

The EC statement also expressed disquiet over the "general human rights situation of the Tibetan people."

"The Community and its member states believe that the problems of Tibet can best be resolved through dialogue between the Chinese authorities and the representatives of the Tibetan people, including its spiritual leader, the Dalai Lama, and urge both sides to engage in this without preconditions," the statement said.

The London-based Tibet Information Network, meanwhile, reported that between 7 and 13 Tibetans were arrested in Lhasa on Tuesday for pro-independence agitation.

Xinhua news agency quoted the Tibetan governor, Mr Norbu, as firmly rejecting criticism of Beijing's policy towards Tibet, saying it was an internal matter for China.

"Tibet is an indispensable part of China and Tibetans constitute one part of the Chinese nation," he declared.

"No government, organisation or individual is permitted to intervene in the affair."

Japan's corporate investment cut

By Charles Leadbeater in Tokyo

JAPANESE corporate investment will fall for the second year running in the year to next April, the most severe contraction since the early 1970s, according to a wide-ranging survey published yesterday by the Ministry for International Trade and Industry (Miti).

The survey of 1,591 large companies found they planned to cut investment by 2.3 per cent this financial year, after a 9 per cent drop last year.

It will be the first time since 1971 and 1972 that corporate investment has fallen for two years running. The cutbacks are in response to the squeeze on corporate profits following heavy investment during the late 1980s by both manufacturers and service companies.

Continued corporate retrenchment, combined with stagnant personal consumption, means public sector spending on social infrastructure will continue to be the main domestic source of growth in the Japanese economy until corporate profits and consumer spending recover.

The survey found that steep falls in manufacturing investment more than offset increases planned by service companies. Manufacturing investment in facilities and equipment is expected to fall by 14.6 per cent next year after an 18.2 per cent drop last year. Investment in the car industry will fall by 17.5 per cent, in steel by 22.1 per cent and chemicals by 20.8 per cent.

The private sector advisory panel which oversaw the survey said it was concerned that the cuts increasingly included spending on research and development which were vital for companies' long-term competitiveness.

N Korea pressed over N-treaty

By Michael Littlejohns, UN Correspondent in New York

THE US yesterday pressed North Korea to remain party to the nuclear non-proliferation treaty, holding out the prospect of better relations if the Pyongyang communist regime reversed its March decision to renounce the pact.

Mr Robert Gallucci, a US assistant secretary of state, and Mr Kang Sok Chu, a North Korean vice minister for foreign affairs, were discussing the problem at the US mission to the UN in New York in the first such high-level encounter in almost two years.

Although the meeting was not under UN auspices, the US had the support of a May 11 Security Council resolution which called on North Korea to reconsider its decision to withdraw from the treaty and co-operate with the International Atomic Energy Agency in the verification system.

The US has indicated that it might respond to a positive reply by suspending annual joint military exercises with South Korean forces, long a thorn in Pyongyang's side. North Korea, which wants a big cut in America's military presence in the south, is keen to develop trade with the US.

Unless there is a change of heart, North Korea's withdrawal from the treaty will take effect in nine days.

● South Korea yesterday said it had agreed to key North Korean conditions for a meeting but insisted on keeping to its own timetable, Reuter adds from Seoul.

In a letter to the Pyongyang leadership, South Korea said it that accepted the North's agenda for talks aimed at defusing a row over nuclear proliferation, but it said the meeting could not be held before Saturday, rather than North Korea's preferred date of tomorrow.

Jordan gets firm hand as times are changing

James Whittington *on the appointment of a new prime minister in the run-up to multi-party elections*

Abdul-Salam Al Majali: called on to oversee a difficult transition

JORDAN'S new government, announced at the weekend, has an unenviable brief: continue with the country's unpopular economic reforms while deciding whether, in the face of fierce Islamic fundamentalist opposition, to change the electoral system before the country's first multi-party elections since 1956.

The man King Hussein has appointed as prime minister to oversee these tasks is Dr Abdul-Salam Al Majali, Jordan's chief Middle East peace negotiator.

Dr Majali – who also holds the key portfolios of defence and foreign affairs – replaces Sharif Zeid Ben Shaker, who asked to stand down. He is expected to employ a firm hand in dealings with the kingdom's new political parties, legalised last year, in the run-up to the election in November and in implementing the economic reforms.

Anxiety over the elections and the threat of an Islamic fundamentalist majority in the lower house of parliament was expressed by the king when he appointed Dr Majali.

"I fear for our democracy ...(and) I warn against those who infiltrate our ranks under the pretext that they believe in this democracy but in reality harbour evil and harm," the king said.

The voting reform would involve changing the 1986 election law to a one-person, one-vote system. This is expected to cut the number of votes for fundamentalist candidates.

Under the current law, each voter casts more than one vote, depending on the number of seats in their constituency – up to eight in some constituencies. This favours large political groups, such as the fundamentalists, who are able to field a number of candidates in all constituencies. A one-man, one-vote system would limit the likelihood of fundamentalist MPs gaining seats as a second or third choice.

This is opposed by members of the powerful Moslem Brotherhood, the fundamentalist religious grouping seeking to "Islamicise" Jordan. They have said that any changes in the electoral system would be taken as an infringement of their democratic rights.

In the last elections of 1989, in which parties were not allowed to participate, fundamentalist candidates captured the largest bloc of 30 out of 80 seats. Of the 17 parties expected to campaign this time, the party political wing of the Brotherhood, the Islamic Action Front, is by far the strongest and best organised.

A change in the electoral law is thought to be supported by the palace and the new government.

Dr Majali's appointment is also viewed as demonstrating Jordan's commitment to the flagging Arab-Israeli peace talks, which continue to disillusion a growing number of Jordanians and Palestinians in the kingdom.

Dr Majali is one of the few Jordanians to deal publicly with the Israelis – an act of treason according to the Moslem Brotherhood. His appointment sends a strong signal to fundamentalists that their calls for a withdrawal from the peace talks will gain no political election mileage.

Then there is a controversial sales tax, averaging 5-10 per cent, which was postponed by the previous cabinet because of domestic opposition, particularly from the private sector.

The tax, framed by the International Monetary Fund as part of the kingdom's economic restructuring programme, will replace the old consumption tax.

But many Jordanians fear that the new tax structure will lead to severe price rises.

The IMF has stipulated that the sales tax must be enforced before Jordan's next round of foreign debt rescheduling talks due early next month. The kingdom's foreign debt is about $8.5bn or 140 per cent of gross domestic product.

The new head of Jordan's negotiating team is expected to be Fayez Tarawneh, Jordan's ambassador to Washington.

ILO conference targets welfare

By Frances Williams in Geneva

THE annual conference of the International Labour Organisation opened in Geneva yesterday against a gloomy backdrop of rising unemployment, poverty and discrimination.

On the agenda of the three-week conference are reports documenting a record 113 alleged violations of trade union rights and freedoms, as well as growing job discrimination based on race, nationality and religion.

The main theme of the conference this year is the need to improve social welfare systems in both rich and poor countries. The 2,000 or so delegates will also discuss new international rules for preventing big industrial accidents and protecting part-time workers.

The report on breaches of the ILO's freedom of association convention, which upholds trade union rights, singles out El Salvador for severe violence against trade unionists, including murder, kidnapping, disappearance, physical assaults and death threats. The ILO also calls on the Salvadorean government to release jailed trade unionists.

The Ivory Coast is criticised for interference with trade union activities, including arrests and dismissals of trade union members.

Britain has come under fire for the ninth time since 1979. The latest complaint relates to trade unionists dismissed or unable to find a job because they were on a recruitment blacklist compiled by the Economic League, an employer-funded organisation.

The 163-nation ILO, whose aims include the eradication of poverty and unemployment, is organised on a tripartite basis, with governments, employers and trade unions all represented. The conference costs the ILO about $6m, against a total annual budget of around $280m. Governments pay the travel and hotel costs of their employer and trade union representatives.

Burundi's leader in election defeat

Tunisian torture claim

Unita attacks oil depot

nference welfare

Opportunities Flow from Project Development and Industrial Restructuring

—IBJ in Tune with Europe

With its long history as Japan's preeminent investment bank, the Industrial Bank of Japan has accumulated a broad base of skills respected by competitors worldwide. From leading Eurobond issues to project finance and direct investment advisory services, IBJ Group is a power in financial circles with few rivals.

Yoh Kurosawa, President. *"We value the long tradition of sharing the ups and downs with our clients."*

The Industrial Bank of Japan, Ltd. (IBJ) is the best known of Japan's banks in the Euromarkets, where its underwriting strengths are well recognised. But that is only one facet—if the best known in Europe—of its diverse spread of activities.

Founded as a specialised financial institution to funnel long-term investment funds to industry, IBJ has developed as a classic investment bank, with a broad range of banking and key advisory skills.

Its skills in capital markets are well known, both within Japan and outside. And, with its founding charter, it played a key role in financing and shaping Japan's infrastructure for 90 years.

From financing power stations and steel plants, through to the latest hybrid Eurobond instruments, IBJ's skills are well honed and recognised.

IBJ is one of the very few banks worldwide which boasts an in-house engineering unit, which not only advises internally on financing projects under consideration, but also offers its services to clients for a range of areas from mining and chemical plant projects, through to long-running projects such as the second Panama Canal, which has been under consideration for more than a decade.

IBJ and a Changing Europe

In Europe, IBJ is putting its range of skills to good use. It is well placed to participate in advising and funding large new infrastructural projects as they come forward over the balance of the decade—especially once the framework for activity in eastern Europe becomes more settled. The bank can assist similarly with the restructuring of industry in Europe as opportunities emerging in eastern Europe are capitalised upon.

IBJ has one key characteristic which sets it apart from its competitors in Japan—it is independent of the big business groupings which can often complicate trying to do business in Japan.

By not being a member of any group, IBJ has the much needed flexibility to strike up working relations with most of Japan's largest corporations. This gives it the ability to capitalise on opportunities as they emerge, ensuring that the client's needs and desires are fully catered to.

IBJ Top-rated Japanese Bank in Client Services

IBJ's client companies comprise as much as 90 per cent of all companies listed on the first section of the Tokyo Stock Exchange. This highlights the uncommon breadth of its relationship networks among the major players in the Japanese economy.

At the same time, it is regularly rated the most highly respected of Japan's banks in an annual survey conducted by the Nihon Keizai Shimbun, the major business and finance newspaper in Japan.

IBJ has topped this poll of accounting and finance section heads of corporate Japan every year since the survey was launched more than five years ago. The poll rated IBJ far ahead of its closest rival, giving it top honors in such areas as securities-related activities, the depth of its advisory and consulting services to client companies, quality of personnel, organisational flexibility and financial know-how.

In the Euromarkets, for example, underwriting by the IBJ Group ranked 17th in 1991 and 12th in 1992—highest among Japanese banking groups.

Such a record stems from the Group's tremendous strength; IBJ Group can sell bonds to not only European investors, but also to institutional investors worldwide, in denominations of yen, dollars, Deutsche marks, ECU and other currencies.

In Japan, the financial system reforms slated for 1993 are expected to further consolidate the position of IBJ Group.

"We have both the record and the strength," remarks Yoh Kurosawa, the bank's president, in this regard.

Strong Links with European Clients

In the Euromarkets, very few of IBJ Group's deals are on behalf of domestic Japanese clients. Of deals done in 1992, for example, issues for the World Bank, the EIB, GECC, Ontario Hydro, Credito Italiano, the Bank of Greece and the like, were brought successfully to market.

That is the most quantifiable part of its activities in Europe.

IBJ played a key role in several recent successful M&A deals in Europe; for example, Mitsui O.S.K. Lines' acquisition of a 40 per cent interest in Norway's Gearbulk and Nippon Yusen's acquisition of a part of the UCI group.

Big project financing deals where IBJ brought both its technical and financial strengths to bear include Euro Disney and the various projects related to the development of North Sea oil.

IBJ has participated similarly in a number of privatisation deals, as governments worldwide have opted for the discipline of the marketplace to restructure their economies.

In Europe, for example, IBJ played a key role in assisting in the privatisation of the power sector, together with assisting with oil and gas projects in the North Sea.

In Europe, IBJ is aided by the fact that two of its key units—IBJ International, in London, and Industriebank von Japan (Deutschland), in Germany—have both been active in these markets for well over 20 years. No newcomer, the bank has working relations with top European institutions that extend back even further.

IBJ is active in working with not only local European groups but, when Japanese companies head offshore, IBJ is often there in the background, even if its role is rarely alluded to. In fact, more than 70 per cent of Japanese companies with manufacturing operations in Germany, France and the UK are IBJ clients.

Strong Support of Japanese Offshore Investment

One of the biggest single Japanese corporate investments in Europe is Nissan's big Sunderland assembly plant in Britain. Here IBJ played the key role in assisting Nissan to finance the large investment.

This move by Nissan, along with those of other Japanese automakers, has attracted a stream of follow-on investment from many auto-parts makers, with IBJ also playing a key role not only in providing information on the investment climate to many of these companies, but in acting as advisor in formulating the most advantageous financing package in addition to providing regular banking services.

Illustrative of IBJ's activities in this area are the seminars it holds regularly for clients on direct investment abroad, highlighting the prospects of a variety of investment alternatives, the impact of planned—and mooted—changes in government policy, and the general tenor of the investment climate.

While much of Japan's direct investment in Europe has been concentrated in the UK, especially in the auto sector, many Japanese companies have launched highly successful operations on the Continent and are surveying prospects in eastern Europe.

While the necessary physical infrastructure is sometimes lagging, the skills base and education standards in most of eastern Europe are very high.

"We must identify these positive elements and find industries to match these skills," says Kurosawa.

"This is the process we are engaged in at present. Some Japanese companies are finding a number of attractive opportunities on their own as well," he says. "It will take about one or two more years to lead to the conclusion of deals."

Here IBJ is helping to determine the best partners and, when investment proposals proceed, to formulate the financing package. Ultimately, it will provide the operating finance.

For the bigger Japanese electronics groups, establishing sales networks is the first step, and they are now following this up by upgrading their customer-service networks.

The next step is to begin launching local assembly projects, but before that can occur, Kurosawa points out, the local infrastructure may need a little more time for upgrading.

Restructuring Continues, M&A Re-emerging

After a big round of offshore investment in the 1980s, Japan's corporate sector has been consolidating for the past several years but may soon be ready to head abroad once more.

"Large M&A deals are not so active at present but there is a continued need to find buyers and sellers as industrial restructuring takes place. This need has not changed," IBJ's Kurosawa remarks.

Japanese companies are now used to M&A, with some good, and poor, deals consummated during the 1980s as they rushed to shift capacity abroad.

European companies, too, are warming to M&A as one of many techniques to foster growth as management approaches shift to reflect the business environment of the 1990s and beyond, especially as opportunities continue to emerge in the current phase of redeveloping eastern Europe.

The need to restructure industry is ever-present, and with expansion opportunities in eastern Europe beckoning, M&A is certain to become a more commonly used business tool in Europe with IBJ likely to play a key advisory role, bringing opportunities in Europe to the attention of prospective buyers in Japan and elsewhere.

Project Financing Skills

With growing investment opportunities expected to emerge in Europe over the balance of this decade, it is in Asia that IBJ has been able to demonstrate its strengths in a full array of activities. These include LNG-development projects in Malaysia and Australia, petrochemical refineries in China and Indonesia, gas export projects and city development projects in Indonesia and railway-electrification projects in New Zealand.

IBJ's long experience both in technically evaluating and funding big new investment projects puts it in good stead as planned developments move from the drawing board to reality in Europe.

Much of IBJ's activity in this field has been concentrated in Asia since this is where most of the big development projects of the postwar era have been located.

At the same time, the speed of new projects has quickened in line with the continued high level of growth in the Asian region.

Partly due to geographic proximity, Asia has been the first port of call when Japanese industry shifts capacity offshore. That is changing, partly reflecting the longer-term growth prospects in Europe.

The Path to Growth: Open Trading Stance Plus IBJ Know-how

Establishing regional trading blocs may be a common topic of discussion in many business circles but, in IBJ's view, there is no quicker way of slowing world economic growth.

The 1980s was a period of sustained growth for much of the world economy, but the 1990s are proving to be more challenging.

Behind most of these calls for regional trading blocs is slower economic growth and the adverse effects of asset deflation, along with the continuing rapid pace of structural and technological change.

IBJ's view is that the complete dismantling of trading barriers is a primary step in laying the groundwork for achieving sustained world economic prosperity.

"Over the past decade, much of Asia has achieved real economic growth approaching ten per cent a year," says IBJ president Yoh Kurosawa. "But at the same time, in Europe it has been closer to one or two per cent.

"Of the North American, European and Asian regional trade groupings, only the Asian region is growing. Why? Because it has the strongest commitment to free trade, which underlies market efficiency and mutual economic growth.

"The NIEs of Asia reflect this commitment in their trade and investment policy," says Kurosawa. "ASEAN, too, is fairly open, and has benefited from technical transfers. Also, the political environment in the region is basically favourable to trade."

"But in European countries, trade policy acts to restrict their industries, sometimes making it difficult for them to achieve their growth potential."

The ongoing debate in Europe and elsewhere over trading blocs is a natural response to the impact of the collapse of Comecon, which in a stroke wiped out many of the trade and economic rigidities of eastern Europe.

Laying the groundwork for new growth is not a simple matter.

"Regional development takes time," Kurosawa says. "The Japanese time frame recognises one must walk before one can run."

"European companies should not be too hasty in judging the progress of their programs and partnerships. As is often done in Asia, commitments and targets should first be fixed and then the details worked out among the parties along the way."

IBJ, which has put down firm international roots throughout Europe, the US and Asia, is well positioned to assist in this process.

With its broad mix of investment banking skills, IBJ brings a fresh point of view to the European table when looking at solving problems.

An abundance of experience, amassed both at home in helping to build the foundations of the modern Japanese economy, and offshore—from capital markets to project financing and venture capital—suggests the range of skills IBJ can bring into play.

IBJ's skills will prove useful in industrial restructuring and project development in Europe and in European offshore investment in Japan, including M&A.

The most successful cases of foreign investment in Japan have all conspicuously taken place with a Japanese partner. IBJ has achieved excellent results in identifying potential business partners in Japan and carrying deals through to conclusion. While this process often takes time, IBJ has demonstrated its patience, skills and practicality in this field for several years.

With the big increase in the number of foreign companies shopping around for investment targets in Japan, the number of purchases of Japanese companies by foreign buyers trebled in 1992.

IBJ is an advisor to foreign companies buying into the Japanese market. Recent changes in the Japanese environment have made outright purchase a realistic business option.

IBJ should thus be viewed as an experienced and uniquely equipped facilitator with a full shop of financial engineering techniques and expertise. This enables IBJ to utilise its wide range of networks and relationships firmly founded on Japanese industrial activities in ways that can help vitalise the elements necessary for economic growth.

In short, IBJ is a bank that in every way lives up to its unofficial slogan, "Your resourceful bank."

IBJ

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Budget delays healthcare reform plan

By Michael Prowse in Washington

PRESIDENT Bill Clinton is delaying release of his healthcare reform plan in order to concentrate on winning Senate approval for his deficit-cutting economic plan, the White House indicated yesterday.

President Bill Clinton said he did not expect a "sustained delay", but refused to set a date for publication of the healthcare plan.

"I'm focused right now on passing the budget in the Senate," Mr Clinton said, adding that the administration intended to remove as many kinks from the plan as possible before sending it to Congress.

Since the Senate is unlikely to vote on the economic plan until the beginning of July at the earliest, the health plan is likely to be delayed until at least the middle of July. However, this would be only a fortnight before the month-long August recess, and the plan may be postponed until September.

Mr Clinton originally promised to send the healthcare reform proposal to Capitol Hill within 100 days of his inauguration. It was then delayed first to mid-May and then to the middle of this month.

The latest delay reflects the tough fight the administration faces in the Senate if it is to pass the economic plan without too many concessions. Mr Clinton said this week he would accept a shift in emphasis from tax increases to spending cuts.

But a delay is also opportune because Mr Clinton has yet to make crucial decisions on the shape of the healthcare reform. The administration is still debating the nature of the healthcare benefits that would be guaranteed, the details of reforms to the healthcare insurance system and the way the plan would be financed.

Some advisers are keen on replacing corporate health premiums by a payroll tax on employers and employees. This would ensure that large companies shouldered most of the burden of higher health spending, but would be strongly opposed by conservative Democrats and Republicans.

The administration is also considering a new tax on hospitals to recoup some of the windfall gains they would receive if the health insurance system were extended to cover the 37m people currently without insurance.

Rebound in new home sales surprises analysts

SALES OF new homes rose 22.7 per cent between March and April to an annual rate of 751,000, the highest level since the economic boom of the mid-1980s, the US Commerce Department reported yesterday, reports Michael Prowse in Washington.

In a separate report, however, the department said the official index of leading indicators stagnated in April after a sharp decline in March. The leading index is designed to give early warning of changes in economic activity.

The two reports were typical of recent economic statistics, which have been unusually volatile, frequently sending conflicting signals about the economy, which appears to be growing sluggishly after a depressed first quarter.

Most forecasters had expected a small rebound in home sales after bad winter weather depressed the housing market in the first quarter. But the scale of the increase left analysts scrambling for explanations.

The rebound was partly driven by improving fundamentals – the lowest mortgage rates in two decades and a relatively low ratio of home prices to incomes. But the outsized April increase also reflected downward revisions to figures for February and March and an erratic doubling of sales in the north-east, the region most affected by severe storms.

Over the first four months as a whole, the annual rate of sales averaged 642,000, only fractionally above the average level in the second half of last year. April will thus have marked a turning point only if sales figures in May and June remain well above first quarter levels.

The index of leading indicators rose 0.1 per cent between March and April, pointing to only a gradual improvement in the economy. Six of 11 components, led by an increase in the length of the working week, contributed positively to the increase in the leading index.

Five components, led by a decline in industrial orders, made negative contributions.

The official index of coincident indicators – a guide to current economic conditions – dropped 0.4 per cent in April after increases of 0.2 per cent in both February and March, confirming other signs of faltering recovery in recent months.

The noisy second coming of Ross Perot

Renewed interest in his populism reflects discontent with the US political élite, writes Jurek Martin

AMERICA certainly now knows that Ross Perot can dish it out. The suspicion is now growing that it is about to find out, for the second time in a year, if the Texas businessman and independent candidate for president last year, can also take it.

If he cannot, then the weary look that comes into President Bill Clinton's eyes when he is asked about Mr Perot may change. Now the president mostly ducks questions, referring to aides who also generally duck questions.

But the White House is far from alone in determining that public silence is the best policy. Political Washington is running scared of the populist phenomenon who took 19 per cent of the vote in the election last year and is, according to most present polls, as popular a public figure as any in the country.

The latest Perotian barrage has been aimed squarely at the president. Some of it has been cruelly funny – his $10 razor-shave crop contrasted with the presidential perm costing perhaps 20 times as much. But hardly a television morning or evening seems to pass without either a Perot interview or paid "infomercial" damning the president either as personally unqualified ("you wouldn't figure him higher than middle management") or for advancing bad policies.

Over the last two weeks he has suggested that Mr Clinton was contemplating a war in Bosnia to distract from his domestic difficulties, flirting with a national health care catastrophe ("every time you look the cost has gone up"), selling US interests out in the Nafta agreement ("the sucking sound of jobs heading south"), and deceiving the public with a wrong-headed approach to cutting the budget deficit by raising taxes.

So virulent has been the onslaught on the Democratic president that speculation is now rampant that Mr Perot either is planning another independent candidacy or has it in mind to hijack the Republican Party, more feasible now that the other president he loved to denigrate, George Bush, is in retirement in Texas.

Discreet conversations with Senator Bob Dole add to this latter impression, even if it may not be on the Minority leader's agenda. Mr Perot himself brushes aside all such questions, repeating the eternal litany that he is only the servant of "the people".

There is scattered evidence, too, that Mr Perot's grandiosely labelled quasi-political organisation, United We Stand, America, is becoming a grass-roots force. Details of its membership ($15 a head) will not be published until the end of this year but already local chapters stage assorted conferences and talk-ins, which even such heavyweight politicians as the

Slash-and-burn rhetoric Perot: he can give it, but can he take it?

Majority leader, Senator George Mitchell of Maine, find impolitic to ignore (because Maine was Mr Perot's best state last November).

Perot-styled candidates, operating so far without his endorsement and, generally, that of UWSA, have not done well in a handful of special elections, especially in his native Texas, though one Republican clone nearly captured a Wisconsin House seat. The Los Angeles mayoral election next month, however, features Richard Riordan, a conservative self-made businessman who talks Perotian.

However, while the man stalks the airwaves at will, there are signs that the media, having bloodied Mr Clinton, are gearing up for the sort of scrutiny which so got under his notoriously thin skin last year. His withdrawal from the presidential race in July followed negative reporting on his "Inspector Perot" tendency to investigate the private lives of others, while his late re-entry with only a month to go mostly avoided a second wave of hostile coverage.

A growing compendium of media reports note disarray in UWSA chapters across the country, with leading local "volunteers" at odds with the Dallas-based head office, described by several to the New York Times this week as "dictatorial, secretive and duplicitous".

Newsweek magazine also questioned the secretiveness of "a carefully crafted legal entity – a not-for-profit 'civil league' – that allows Mr Perot to raise funds and act the role of undeclared candidate without having to disclose his list of contributors".

ABC TV's Nightline, which collaborated with Newsweek on the Perot investigation, last week subjected several of the volunteers to a barrage of questions. The thrust of the replies was that many felt he was authoritarian by nature.

Even former Perot intimates are now publicly sour. Mr Orson Swindle, nominal campaign chief in the run-up to the election, now insists Mr Perot and his tight circle in Dallas "encouraged everybody to be heard and didn't have the capacity to listen". Mr Ed Rollins, campaign guru in the first springtime run at the presidency, will say publicly and privately that he now thinks Mr Perot is "the most dangerous man in America".

Even those who still give him credit for wakening the public to the magnitude of the budget deficit now think he is all blue smoke, mirrors and meaningless charts. A Washington Post editorial at the weekend, bemoaning a lack of substance, complained about his "sweeping generalisation and slash-and-burn rhetoric".

Critical attention is also being drawn to the pattern of Mr Perot's courting of individual media outlets. If irritated by a tough interviewer (Mr Bryant Gumbel of NBC's Today) or a critical programme (last week's Nightline) he switches his attention to different networks and programmes. With his money and their need for revenues, appearances, paid-for and free, are easily scheduled.

In one sense the second coming of Ross Perot, as with any pure populist, is a reflection of public discontent with the management of the nation by its establishment élite, now uncertainly led by Mr Clinton but also featuring an invitingly fractious Congress and a national media inclined to go head-hunting.

But to endure he will have to know what it is like not only to chase but also to be hunted. Even Achilles, a phenomenon from a different age, had a fatal weakness.

Presidency pact in Venezuela

By Joseph Mann in Caracas

THE leaders of Venezuela's two dominant political parties have chosen Senator Ramón J. Velásquez, a respected writer, historian and politician, as their candidate to become the provisional president.

This decision by the ruling Democratic Action party (AD) and the opposition Christian democratic Copei may solve the national leadership crisis, which arose when President Carlos Andrés Pérez was suspended from office on May 21 to face corruption charges.

Mr Octavio Lepage, chairman of the Senate, was sworn in as acting-president immediately after the suspension but the opposition parties have been calling for his removal ever since.

Both chambers of Congress must meet to consider the candidacy and vote in secret on the new provisional president. This is expected by the end of the week. A majority vote is required, which should be secured for the candidate because the two main political parties dominate Congress.

AD and Copei leaders are using all their political influence to secure Mr Velásquez's election, despite complaints from small opposition parties. A full presidential election is due in December.

While agreeing to stand for the interim presidency, Mr Velásquez has asked the two main parties to give him special powers so he can enact by decree a series of reforms that have been languishing in Congress for months.

These measures are expected to include new taxes to help cover the government's fiscal deficit, tax cuts, levies on the national oil company, a reform of the privatisation law, and a bill authorising central government borrowing this year.

Mr Velásquez, a moderate voice and conciliator in Venezuelan politics, is a senator for his home state of Táchira.

Although he was elected to the Senate on the AD slate, he is seen as a political independent and has held high positions in both AD and Copei administrations.

Last year, Mr Pérez named him to chair a special commission that recommended widespread government reforms.

Deposed Serrano goes into exile

By Edward Orlebar in Guatemala City

MR Jorge Serrano, Guatemala's former president, left the country for El Salvador yesterday, a day after he was deposed by the Guatemalan military.

A Salvadorean government official confirmed that Mr Serrano was in the country and being treated normally. His departure, after his safety had been guaranteed publicly by the Guatemalan army, came after suggestions from prominent members of Congress that he should be put on trial.

Last week, Mr Serrano had suspended the constitution and attempted to seize authoritarian powers.

Congress, which was meeting yesterday, has been given five days by a constitutional court to name a new president and vice-president. The current vice-president, Mr Gustavo Espina, has tendered his resignation.

In negotiations with the military and business leaders, political leaders have given a commitment to "cleanse" Congress of corrupt legislators. Mr Serrano's claim last week that many legislators were crooked touched a chord in the country, but it is not clear how the purge will be achieved.

Possible successors to Mr Serrano – to complete a term up to January 1996 – are Mr Arturo Herbruger, 83-year-old president of the supreme electoral tribunal, and Mr Edmond Mulet, ambassador to Washington, who resigned following Mr Serrano's attempted "self-coup."

Mr Serrano was deposed after meetings on Monday night and Tuesday morning with business and political leaders. He tried to persuade congressmen to reconvene the legislature but, after he seemed to have failed to win enough support, he was asked by military commanders – led by General José Domingo García Samayoa, the defence minister – to stand down.

Mr Serrano's removal is being seen as a counter-coup by the military, business and political classes without any important popular participation. "The popular movement has demonstrated its considerable weakness," said Mr René Poitevin, a political analyst.

If the military keeps its promise to return to constitutional rule, it is expected to emerge stronger from the past week's developments, despite having supported Mr Serrano's suspension of the constitution.

Belize PM calls snap general election

By Canute James in Kingston

MR George Price, prime minister of Belize, has called a general election for June 30, 15 months before it was constitutionally due.

The announcement came a few hours after the resignation of Mr Jorge Serrano as president of neighbouring Guatemala. He and Mr Price had reached an accord to end Guatemala's 130-year-old territorial claim on the former British colony in Central America.

The Belizean opposition is claiming that the government has no plans to defend the country against any invasion by Guatemala.

Britain announced last month that it is to withdraw its 1,400-strong garrison in Belize. British troops had been stationed there to deter Guatemala from military action to pursue its claim.

Mr Price's People's United party has a comfortable parliamentary majority, and the election is expected to keep it in power at the expense of the main opposition United Democratic party.

Moscow closes in on western satellite deal

By Leyla Boulton in Moscow

RUSSIA has won half the battle to enter the west's lucrative commercial satellite launch market but must now get the west Europeans to endorse its deal with the Americans allowing it two space launches a year up to the year 2000.

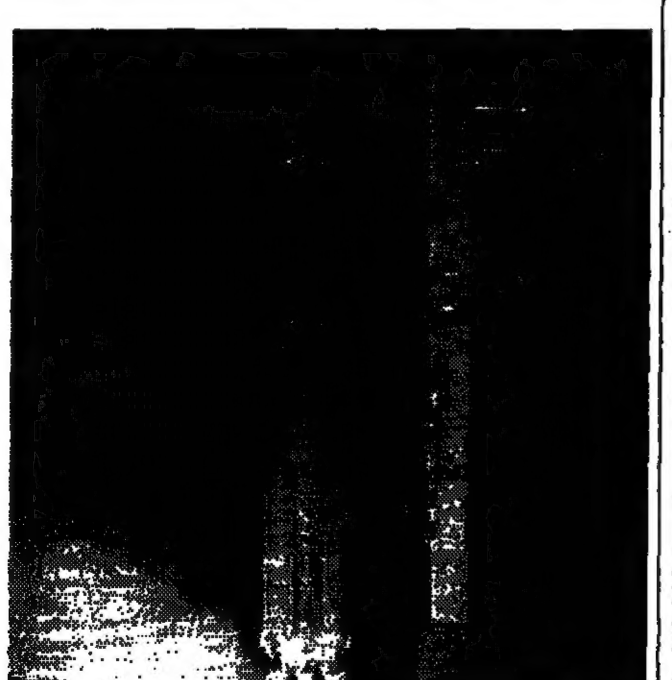
Having decided to make market access for Russia a key priority after the US-Russian summit in Vancouver, the US has agreed in principle for Russia to conduct 12 launches until the end of the century to try to help its impoverished space industry. In order not to undercut western companies, Russia would commit itself to charging prices which were no more than 7.5 per cent cheaper than comparable western launches.

The market for launching telecommunications satellites into space is dominated by western Europe's Arianespace, which fears its business could be wiped out by cheap Russian launches on high-quality Proton rockets. It is therefore trying to impose quotas and price floors.

The US is involved because it can withhold export licences for mainly US-built satellites which are to be shipped to Russia for launching.

The simmering trade war between the US and the EC has made it impossible to hammer out a tripartite agreement. Instead Russia is having to negotiate separately with the Americans and the Europeans.

Mr Valentin Kozyrev, a Russian space agency official, said: "We are not satisfied by the quotas offered by the Europeans. We want to get closer to the agreement reached with the Americans." He declined however to spell out the differences.



Ariane lifts off: it wants to prevent Russia undercutting prices

Russia and the US want a bilateral agreement to be ready for signing when Mr Viktor Chernomyrdin, the Russian prime minister, meets Vice-President Al Gore at the end of June.

It is not clear however when a similar agreement might be reached with the Europeans, although one west European diplomat said this would be soon since everybody was in a hurry to show goodwill to Russia as it struggles with economic reforms.

The issue is likely to be raised during talks starting in Moscow today between the Russian government and Sir Leon Brittan, the EC commissioner responsible for negotiating a partnership agreement with Russia, as well as for handling the EC's international trade negotiations.

● Mr Lloyd Bentsen, the US treasury secretary, is expected to arrive in Moscow today to urge the Russian government to speed up progress on economic reforms and prepare for the G7 summit in Tokyo.

Stability vital, Gatt tells South Africa

By Frances Williams in Geneva

SOUTH AFRICA has considerable potential as a market, a supplier and a host for new investments, but political stability will be essential, the General Agreement on Tariffs and Trade says in a report published today.

The report notes that the severe recession since 1989 has led to an annual drop in per capita incomes of 3 per cent a year and a loss of one million jobs. Unemployment has risen to record levels and over 40 per cent of the labour force is estimated to be outside the formal economic sector.

"The immediate challenge is to regenerate growth in the context of policies aimed at social advancement," Gatt says. "To this end, a reorientation of production away from emphasis on satisfying limited domestic demand and more along the lines of South Africa's comparative advantage should lay the foundation for sustainable growth."

The report says that between 1985 and 1989 sanctions, especially financial sanctions and the disinvestment campaign, may have cost 13 per cent of 1991 gross domestic product. Trade sanctions were less effective, lopping perhaps 7 per cent off export earnings.

Though the process of dismantling sanctions began in 1990, Gatt argues that many of South Africa's economic problems are home-grown, resulting partly from the apartheid system which created damaging rigidities in resource allocation, and partly from inward-looking policies that stressed import substitution at the expense of exports. Rising labour costs, persistent inflation and business concentration have hurt competitiveness.

Gatt says that with the lifting of sanctions South Africa is now looking to fashion more outward looking trade policies, and has made some progress in removing import controls, reducing tariffs and lowering import surcharges.

Deregulation, privatisation and macroeconomic stabilisation "are being cautiously pursued". However, the tariff regime is "far from stable or transparent" and industry remains heavily protected by high trade barriers and reliant on expensive export subsidies.

Gatt's governing council, which discussed the report yesterday, urged South Africa to implement economic reforms more rapidly, undertake autonomous trade liberalisation and improve its modest tariff offer in the Uruguay Round of global trade talks.

Russia plans to boost telecom links

TELECOMMUNICATIONS between Russia and the Far East are to be modernised and capacity increased through an optical fibre cable linking Nakhodka in Russia with Japan and South Korea, writes Hilary Barnes in Copenhagen.

A plan to install the cable has been agreed by Intertelecom, the Russian telecom operator, Denmark's GN Great Northern Telegraph Company and the Danish state's Telecom Denmark.

The Danish companies will finance the $60m (£38.7m) investment in the Russian part of the cable, while Kokusai Denshin Denwa of Japan and Korea Telecom will finance the rest of the link, running in all to 1,700km. Total cost of the project, due for completion in early 1995, is about $160m.

Great Northern and Intertelecom last April inaugurated an optical fibre cable between Denmark and St Petersburg, with a microwave link to Moscow.

Software piracy cost declining in Europe

By Alan Cane

SOFTWARE piracy in Europe, now costing the computer industry more than $4.6bn annually in lost sales, is on the decline.

Statistics published yesterday by the Business Software Alliance, which represents the major personal computer software houses, showed the percentage of illegal software used in Europe fell from 76 per cent to 66 per cent between 1990 and 1991.

The reasons for the decline included tougher copyright laws throughout the EC, local campaigns which have increased awareness of the penalties for piracy, and a flood of legal actions against infringers.

Mr Brad Smith, European legal counsel for the BSA said: "Last year, the BSA filed more than 100 legal actions in 10 countries in Europe".

Financial losses in 1992 were highest in France at $1.3bn, while the greatest level of piracy was found in Italy and Spain at 85 per cent of the market.

The UK showed most improvement, Mr Smith said, where legal software now constitutes 46 per cent of the market.

S Korean credit for China chemical deal

By our Beijing Staff

SAMSUNG, the South Korean conglomerate, is providing a $48m (£31m) credit to help upgrade an ethylene project in China's north-east, under an ambitious plan to make the plant one of the largest producers in Asia.

Samsung's involvement will help increase ethylene production to 300,000 tonnes a year.

An agreement was signed at the weekend with the Jilin Chemical company and China National Chemical Construction. Last September, the South Korean company won a $200m contract to modernise the Jilin plant, China's largest producer of chemical fibres.

Mr B H Kim, Samsung's chief representative in Beijing, said Jilin Chemical would use the export credit loan to buy ethylene glycol production equipment made under licence in Korea. He said there were also plans to build petrochemical plants at Shandong, Hubei and Guangdong.

Taiwan may expand export processing

TAIWAN is considering a package of financial incentives and other measures to expand its export processing zones, the government's Export Processing Zone Administration said yesterday, Reuter reports from Taipei.

The Commercial Times newspaper quoted officials as saying the package would include the lifting of remaining restrictions on imports into the zones. This would reduce import costs by 20-30 per cent, helping exporters to increase competitiveness in the world market, the newspaper said.

The administration would also upgrade infrastructure in the zones and maintain factory leasing rates at low levels.

The 242 factories operating in Taiwan's three export processing zones registered combined exports of $4.7bn (£3.05bn) in 1992. In recent months, government officials have expressed concern that weakness in the global economy is hurting Taiwan's export sector.

NEWS: OECD MINISTERIAL MEETING

'Ray of hope' on tariff-cutting deal

OCDE OECD PARIS 1993

AN extensive tariff-cutting agreement among the leading industrial countries has become "a realistic aim" at next month's Group of Seven summit in Tokyo, trade negotiators said in Paris yesterday, writes **David Dodwell, *World Trade Editor*, in Paris.**

Negotiators were anxious to play down suggestions of a breakthrough, given the number of times over the past four years that hopes have been dashed, but the mood at the Organisation for Economic Co-operation and Development's annual ministerial meeting yesterday clearly indicated that progress has been made over a series of 13 ministerial meetings held since President Bill Clinton came to power in January.

The tariff-cutting agreement, which would embrace both trade in services and in manufactured goods, would pave the way for the long-delayed Uruguay Round negotiations on reform of world trade to be completed by December. While details of an agreement might not be unveiled until the Tokyo summit, a senior US official said negotiators hoped the market access package would be in place before then.

"In a world where economic gloom is all too prevalent, a ray of hope is emerging from these talks," said Sir Leon Brittan, the EC's chief trade negotiator. *Ministers in Paris for the* OECD meeting agreed that trade liberalisation was one of the only ways to stimulate recovery from recession and tackle chronically high levels of unemployment worldwide. "We are at last in striking distance of the largest *market access package in history*," Mr Mickey Kantor, US trade representative, said at the end of a meeting of the "quad" trade ministers from the US, Japan, the EC and Canada.

Ministers refused to be specific about the substance of their market access negotiations, but outlined a sequence of almost non-stop negotiation – both bilateral *meetings, and* full "quad" discussions – between now and the Tokyo summit, which begins on July 7. A critical stepping stone will be a series of meetings in *Tokyo leading to a full* "quad" on June 23-24.

It is understood the ministers discussed harmonisation, reduction or elimination of tariffs on manufactured goods ranging from pharmaceuticals and medical equipment to *textiles, ceramics and non-ferrous* metals. They also embraced the opening of financial services markets, telecommunications, and audio-visual services.

Japan is believed to have offered more open access to its financial services market when officials met their US counterparts in Washington last week. *Japanese officials are expected* to give details of the new offer to EC negotiators in Geneva today.

In contrast with the mood of harmony and progress in Paris on the *Uruguay Round, there appeared to be* tensions between OECD ministers over Japanese efforts to use the end-of-summit communiqué to oppose an apparent US decision to seek managed trade and "target setting" agreements with Tokyo as a means of open*ing the market to foreign competition.*

Most OECD ministers informally support Japan, but were divided yesterday on whether the issue should be tackled head on in the communiqué. A Japanese Foreign Ministry official commented: "We are opposed to unilateralism and managed trade. The OECD should take a clear position on *these points.*"

A piqued Mr Kantor commented: "We want to expand trade. The US is the largest open market in the world, and it is always interesting that we might be criticised by those whose markets are not as open as ours."

Jobless-rate alert pulls out all stops

By Peter Norman, Economics Editor, in Paris

WORDS such as "serious", "disturbing" and "alarming" are strong stuff in the subfusc *world of international* economic institutions such as the Organisation for Economic Co-operation and Development.

But the OECD's interim report on unemployment, published last night, deploys all three in an attempt to alert policy makers to the problems posed by nearly 36m jobless in the industrialised world.

The organisation warns that the "new and severe deterioration of the employment performance" of its 24 member-states since the late 1980s is "serious in its own right". It brings "individual hardship, economic loss and threat to the social and political fabric".

High unemployment could also trigger wrong policies such as:

□ Hasty and possibly ill-conceived *macro-economic* expansion.

□ Inappropriate reversal of earlier labour-market reforms introduced to help economies modernise.

□ Further resort by countries to open or disguised protectionism.

But while it is easy to list the dangers that unemployment brings, the report makes clear that solving the problem will be extremely difficult.

Present-day unemployment is "in larger part structural," the OECD says. Action will be needed on several fronts – ranging from macro-economic policy, through education and training to creating the right incentives for entrepreneurship and ensuring that social policies, intended to help the weakest in society, do not destroy jobs.

The OECD says the most important macro-economic *measure would be for govern*ments to make big reductions in their structural budget deficits. This would reduce interest rates and create conditions favourable to higher consumption and investment.

Countries have to adapt to technological change. The OECD is convinced the potential of the new information technologies to create jobs has not been fully realised. Even the most flexible economies will have to brace themselves to handle "radically new perceptions and attitudes, and fundamental changes in the processes of design of production, and of work organisation".

It follows from this that the OECD economies must remain open to international competition while strengthening their capacity to adapt and the ability of their workers to enhance or change their skills.

The report makes clear that "low productivity jobs warrant the payment of only a low wage". The way for the future, especially in Europe where the jobless total is expected to rise to nearly 23m next year, lies in higher-productivity jobs filled with workers with higher skills rather than in minimum wages or a narrowing of wage differentials.

Low-paid jobs may be useful. They can introduce the young to work and serve as a "port of entry" for immigrants to the *labour market. "But the overall strategy must be that people not become trapped* in them."

The OECD therefore calls for a balanced policy of greater wage *flexibility* "buttressed with a comprehensive policy, which would include education, the school-to-work transition, training and retraining".

Countries need a sound and modernised initial education system, better links between *academic* and *vocational* studies and an adult training system adapted to the needs of both employers and workers.

But education and training will not be sufficient. Active labour-policies are needed to cut the time people spend on the dole and to make vacancy and job matches more efficient. Enterprise needs to be encouraged. "Access to start-up capital and, even more so, to long-term capital during the *early expansion period is very* important."

The Paris-based OECD was one of the first international organisations to sound the alarm about rising unemployment. It has taken a year to produce a 30-page interim report on the subject. The fact that another year's work is planned shows how intractable a problem unemployment has become in the industrialised world.

Governments resist reform

West's farmers reap $354bn in subsidies

By David Dodwell

TAXPAYERS and consumers in the industrialised world subsidised farmers to the tune of \$354bn (£229.8bn) in 1992 – or about \$440 per head – according to the OECD. Subsidies were up 7 *per* cent from 1991 as governments continued to resist reforms in the sector.

World farm trade grew by about 6.6 per cent last year, but *falling prices meant that* earnings barely rose.

In its annual study of the farm sector the OECD forecast a sharp fall in cereal exports this year, as China and the former Soviet Union cut imports, and predicted falling prices for most key farm products over the next four years.

Since 1971, agriculture's share of world trade has dwindled from 15 per cent to 9.4 per cent, the OECD said.

Total transfers to the OECD farm sector, largely made up of contributions from taxpayers and consumers, fell in Canada, Finland, New Zealand and Sweden. But these were more than offset by a 10 per cent increase in the US, from \$81.1bn to \$91.1bn, and a similar increase in Japan, from \$65.6bn to \$74bn.

In value terms the biggest subsidiser remained the European Community, which transferred \$155.9bn (up from \$146.4bn). But the heaviest individual burdens fell in Finland, where transfers amounted to \$910 per head. By comparison, people living in the EC paid \$450 apiece, while those in Japan paid \$600 and those in *the US* \$360.

The biggest beneficiaries of these farm subsidies were Scandinavian farmers. Transfers averaged \$39,600 per *farmer in Norway and \$38,600* in Sweden. US farmers benefited from transfers averaging \$36,100. Transfers for each Japanese farmer averaged \$31,300, while EC farmers gained by \$17,700 per head.

In a largely gloomy examination of prospects for the farm sector up until 1997, the OECD saw three possible grounds for optimism:

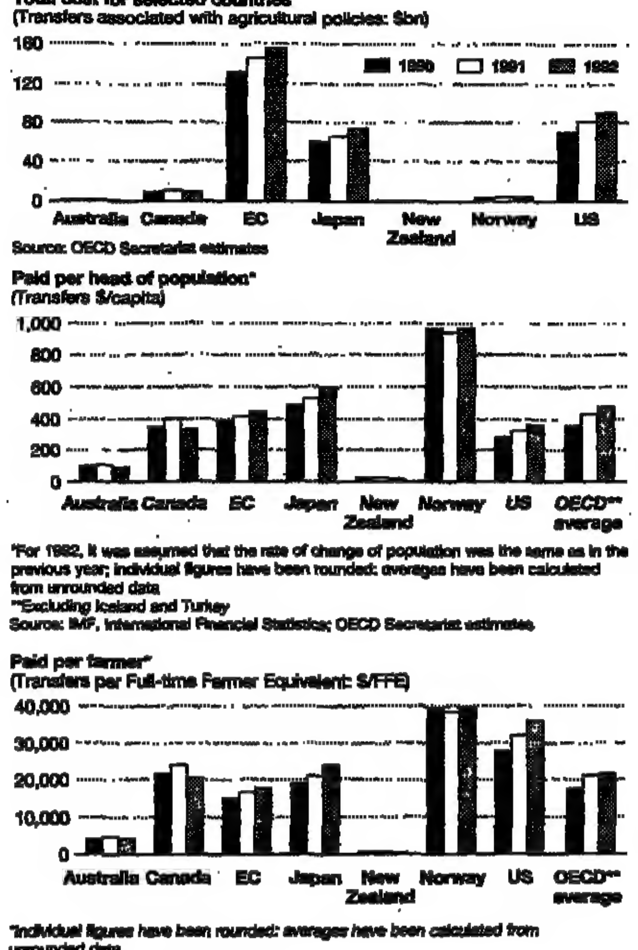
□ Hopes that reform of the EC's common agriculture pol*icy, which began to take effect* in January this year, would trim levels of EC farm support;

□ Hopes that a successful outcome in the Uruguay Round of trade liberalisation talks would begin to erode farm subsidies;

□ Strong economic growth in the Asia-Pacific region, which might stimulate world demand for certain farm products, particularly meat.

The OECD report was, however, concerned that a slower than forecast recovery from recession would depress demand for farm products and prices.

"Most countries have not so far embarked on reform leading to significantly reduced levels of agricultural support," the report said. Complaining of the "competitive subsidisation" of farm exports by the US and the EC, it said these subsidies "have changed the structure of the world market, have resulted in significantly lower world prices, and reduced production incentives for farmers in non-subsidising countries".



Price supports in EC hamper eastern reform

By David Dodwell

FORMER Soviet states' plans *to liberalise their farm sectors* are being thwarted by the European Community's distorting policies of price supports, intervention purchasing and export subsidies, the OECD said yesterday.

In its first study of the farm sector in the former planned economies of central and eastern Europe and China the OECD is disturbed by "back tracking" from liberalisation, particularly in east Europe and *the former Soviet bloc. This is* due to a desire to harmonise farm policies with those of the EC, with which most of the countries seek eventual membership, and short-term aid to farmers to help them through disruptions as economies are restructured.

"The difficulty of removing these short-term policies once this process is complete has mostly been overlooked," the study says.

It describes a big growth in subsistence farming on inefficient small farms as unemployment soars. At the same time, severe drought across parts of central and eastern Europe in 1992 damaged farm output – grain production fell by 30 per cent from 1991 to 58m tonnes.

In the former Soviet Union, the OECD reports a 10 per cent fall in agriculture production last year, largely due to a collapse in livestock production. Grain output nevertheless rose by 20 per cent to 194m tonnes following a collapse in 1991, *making the farm sector less* traumatised than the economy at large, which contracted by 18 per cent.

The organisation predicts that the former Soviet Union will continue to import grains, sugar and oilseeds this year although imports "will increasingly depend on the availability of western credits and assistance packages".

The OECD saw the fall in livestock production as an *opportunity to rationalise* an inefficient sector, where feed grain use is at virtually the same level as in the US but producing a quarter of the meat.

China's farmers face different challenges, with natural disasters and a preference for investing in rural housing rather than farming weakening the production system. Farming generated 4m new jobs during 1991 and 1992, the OECD says.

This was insufficient to cope with 11m people pouring on to the rural job market, and left the country with a "floating population" between urban and rural areas of about 70m.

The OECD predicts that China will remain a significant wheat importer, but notes that grain imports have fallen from 11m tonnes in 1989 to "probably less than 3m tonnes in 1992".

Coded criticism directed at US threats

OCDE OECD PARIS 1993

THE OECD called yesterday for members to give their strongest support for completion of *the long-de*layed Uruguay Round of talks on international trade liberalisation, arguing that agreement would play a crucial role in tackling unemployment and poor economic prospects across the world, writes **David Dodwell.**

In particular, the OECD asked members to "avoid initiatives and arrangements which undermine the multilateral system" – a coded criticism of the US for its use of bilateral threats to win concessions from trade partners.

In a report to OECD ministers on international trade co-operation, the organisation warned against trade blocs which damaged open trade and *international competition. It* also called for OECD countries to give better trade access to the emergent market economies of east and central Europe, and for *harmonisation* of trade policy with national strategies on the environment, competition and investment.

The report talked of the world trading system "under strain" with concern over widening trade imbalances, a rising number of trade disputes and increased use of anti-dumping actions and other "grey area" measures to protect domestic industries.

The OECD also presented reports on the two "post-Uruguay Round" issues causing increased anxiety – the need to harmonise international trade policies with environmental and competition policies, which have until now been regarded as largely domestic issues.

On competition policy, the OECD warned against a number of measures that have aggravated trade tensions. These include:

□ Domestic and export cartels, which are "often immunised from attack in the exporting country even though they have anti-competitive effects in other jurisdictions."

□ Vertical links within or between companies which can frustrate the entry or expansion of a foreign company.

□ Grey area measures, like anti-dumping actions and voluntary restraint agreements, which "can *stimulate collusion* among domestic and foreign producers," and restrictive trade measures like rules of origin, government procure*ment rules or quotas.*

On the increasingly contentious clash between trade and environmental policies, the OECD has tried to act as a peacemaker. *Its* report made much of the "mutual supportiveness" of trade and environment policies.

The organisation called for closer international co-operation whenever a trade policy was seen as having potential environmental implications, and an integration of national trade and environmental policy-making at a domestic level. Environmental "examinations" needed to be developed as quickly as possible.

At the same time it called for environmental agreements designed not to restrict trade or discriminate.

It also argued that countries should settle cross-border environmental disputes multilaterally rather than taking the law into their own hands – another coded warning *that the US* administration should resist pressure from local environmental interests to act unilaterally in dealing with international environmental disputes.

Asia-Pacific nations find new champion in Japan

By Peter Norman

JAPAN is using its influence in the OECD to press for greater international support for developing nations, and is pushing itself forward as the champion of other Asia-Pacific nations.

Japanese officials said they expected Tokyo to increase its development aid budget for the next five years from the \$50bn (£32.4bn) for the five years ended April this year.

The officials said the Japanese delegation at this week's annual ministerial meeting of the OECD planned to promote the interests of Asian developing nations and urge the OECD, when relations between the organisation and non-member countries are discussed today, to become more involved in the region's economic development.

Tokyo is expected to support South Korea's application for full membership of the OECD, *which was submitted last* month. According to officials, Mr Kabun Muto, Japanese foreign minister, will also urge the OECD to:

□ *Conduct* an analysis of economic developments in China.

□ Support Vietnam, Laos and Cambodia in their transition from communism to a free market economy.

□ Develop further the supply of know-how and other assistance to the Asian republics of the former Soviet Union.

Japan is also expected to voice support for the so-called dynamic Asian economies of south-east Asia in talks on the OECD's links with non-member countries.

Tokyo's decision to champion the Asia-Pacific region at this week's talks indicates it will stress its role as the region's premier economic power at the Group of Seven's Tokyo summit next month. It also reflects Japan's growing importance in the OECD, where it is the second biggest provider of funds after the US.

Doubt cast on upturn by weak cash figures

By Emma Tucker and James Blitz

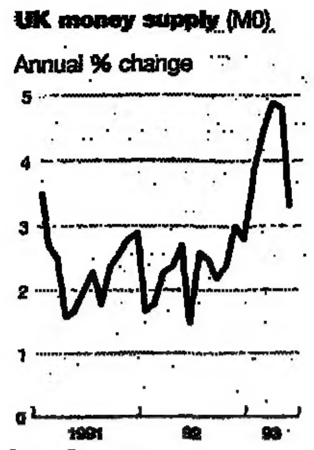
A SHARP drop in the growth of cash in circulation last month has cast fresh doubt on the strength of UK economic recovery and raised expectations of another cut in interest rates.

Bank of England figures yesterday showed that M0, the narrow measure of the money supply – mainly notes and coins in circulation – grew a seasonally adjusted 3.3 per cent in the year to May, compared with growth of 4.8 per cent in the year to April.

The slow down in the annual rate of growth pointed towards a weakening in consumer spending and a slow and patchy recovery for the UK.

The pound continued to weaken against the D-Mark on the foreign exchanges, as the market took the view that Mr Kenneth Clarke, the new chancellor of the exchequer, would cut interest rates. Sterling closed at DM2.4625, down ¾ of a pfennig on the day. It closed 1 cent down against the dollar at $1.5410.

The UK stock market was also buoyed by speculation of another easing in monetary policy. The FT-SE 100 Index of leading industrial shares closed at 2,863, up 13.8 points on the day.



Source: Datastream

Compared with April, M0 fell by 1.1 per cent, the sharpest monthly fall for over 10 years. The fall took the annual growth rate of M0 back within the government's monitor range of 0-4 per cent for the first time since January.

The provisional figures were the latest in a string of indicators pointing towards a bumpy UK recovery.

As a fairly good indicator of the pace of consumer spending, the latest drop in M0 suggests that there was some weakening in retail activity in May after strong first quarter growth.

"It is very clear taking the April and May figures together that the trend in M0 is now downwards," said Mr Simon Briscoe, UK economist at Midland Global Markets.

The sharp drop in M0 in May was exaggerated by low bank operational deposits – accounts held by commercial banks for clearing purposes at the Bank of England. However, these account for only 1 per cent of total M0. Last month's figure was also depressed by an upward blip to M0 recorded in May last year. It may also have been affected by the two bank holidays in May, when traditionally spending patterns alter.

The Bank of England also released final money supply figures for April. These confirmed that growth in broad money has remained depressed in recent months. In the year to April M4 – M0 plus bank deposits – grew a seasonally adjusted 3.5 per cent, compared with 3.6 per cent in the year to March

Nissan chief joins executive of trade body

By Kevin Done, Motor Industry Correspondent

MR IAN Gibson, chief executive of Nissan Motor Manufacturing (UK), is to join the executive committee of the Society of Motor Manufacturers and Traders (SMMT), the main UK motor industry trade association.

The move paves the way for his possible election to become president of the SMMT, the first time that the UK motor industry would be led by a senior executive of a Japanese carmaker.

The emergence of a Japanese company in the higher echelons of the main lobbying organisation of the motor industry in Britain is likely to prove controversial among west European car producers, which are lobbying fiercely for a tight monitoring regime for Japanese vehicle exports to the European Community.

France and Italy in particular are still insisting that production from Japanese car plants in the UK should be taken into account when the EC negotiates with the Japanese government on the level of direct exports to Europe.

The UK government maintains there should be no limit on Japanese vehicle production in Europe. It wants cars produced at Japanese-owned plants to have free circulation in the EC.

Nissan, Honda and Toyota have all located their first European car plants in the UK with a total investment of more than £2.1bn.

Mr Ian McAllister, chairman of Ford of Britain, the US carmaker's UK subsidiary and a public critic of Japanese involvement in the European motor industry, is to become a vice president of the SMMT at the society's annual meeting next week.

In evidence to House of Commons employment select committee earlier this year, Mr McAllister attacked the Japanese car manufacturers in Britain.

Ford was concerned about the "potential erosion of the UK's manufacturing and technological base which could result from excessive reliance on Japanese transplant factories," he said.

● Executives from a group of UK companies yesterday said they were "well satisfied" with the success of the first government-backed exhibition promoting the UK motor sport industry overseas. Staged at Indianapolis, the export promotion was dominated by Sunday's Indianapolis 500, in which 32 of the 33 cars which competed were designed and built in the UK .

Threatened shipyard launches new ferry

LEADERS OF the campaign to save the troubled Swan Hunter shipyard hope the launch today of a £1.4m ferry will not be the last in the company's 130-year history.

The Pride of the Tyne (right) was the last vessel order received before Swan Hunter went into receivership after failing to win a helicopter carrier contract three weeks ago.

The 25-metre ferry, built for the Tyne and Wear Passenger Transport Executive, was small enough to be lowered into the water by crane.

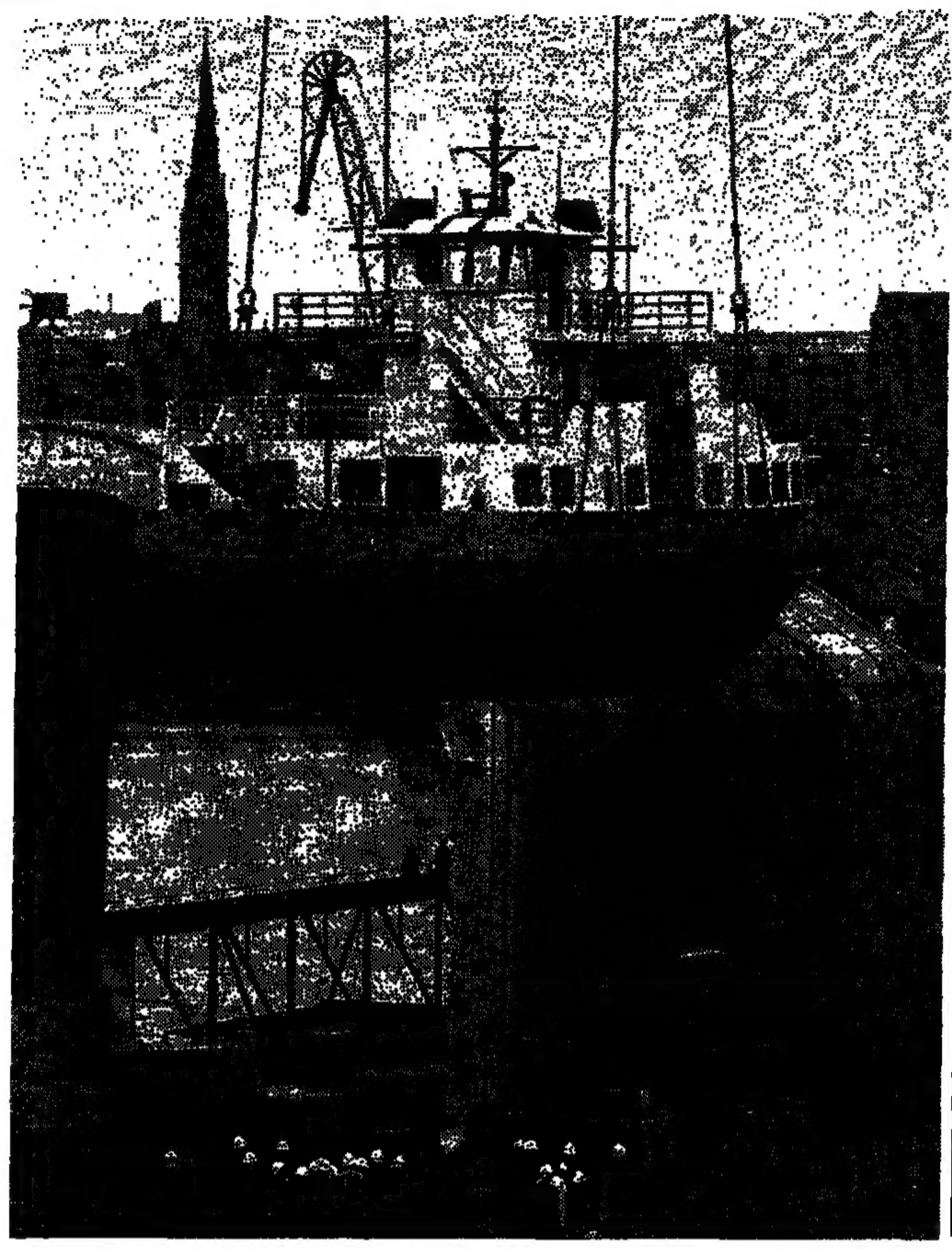
Many of the 1,800 workers remaining at the yard are mainly employed in fitting out three frigates.

Talks between the receivership team and the Ministry of Defence have so far guaranteed work on the frigates only up to the end of next week.

Swan's short-term future can be further improved if the yard succeeds in winning an order due to be placed by the end of this month by Oman for two 46-metre assault craft.

There is also a prospect of being better-placed to win merchant ship orders if the European Commission can be persuaded to agree to the yard becoming eligible for intervention funding.

Mr Tim Sainsbury, the industry minister, promised last week an approach would be made to the EC with a view to gaining such status for all UK naval yards.



European Commission could ban hallmarks

A 900-year tradition of using crowns, anchors, lions, roses and castles to guarantee the quality of British gold and silver is likely to be banned by the European Commission, writes Ian Hamilton Fazey.

The symbols are among the hallmarks that have to be used in Britain to protect consumers from being sold "under-carat" gold or adulterated silver. They are applied by assay offices in Birmingham, Edinburgh, London and Sheffield after independent tests.

Other EC countries say they restrict trade in the single market by forcing tougher British quality guarantees on overseas competitors.

Gold items can be sold in Britain at weights of nine, 14, 18 or 22 carats and are marked as such by number. Silver has only one standard, denoted by the mark 925, which means the item is 92.5 per cent silver, alloyed with 7.5 per cent copper for durability. European competitors frequently use only 80 per cent silver.

The Association of British Cutlers and Allied Trades (Abcat) says draft EC proposals to harmonise European methods of marking precious metals will allow sub-standard gold and silver items to be sold legally. "If we are going to harmonise, everyone else should adopt the British system to improve consumer and trader protection," said Mr John Price, president of Abcat.

Soft drinks suppliers agree competition undertakings

By Neil Buckley

THE UK's largest carbonated drink suppliers yesterday agreed to give undertakings aimed at guaranteeing competition in the soft drinks industry.

Coca-Cola Schweppes Beverages (CCSB), Coca-Cola Bottlers (Ulster), and Britvic – which together account for more than half the UK's £5.5bn carbonated drinks market – agreed to end exclusive or restrictive supply agreements with pubs and leisure outlets.

The decision comes nearly two years after the undertakings were first recommended by a Monopolies and Mergers Commission report.

CCSB also agreed to seek approval from the Office of Fair Trading before it acquired any business involved in supplying draught soft drinks through dispensing machines.

Mr Neil Hamilton, corporate affairs minister, asked for the undertakings last June. His request followed consultation between the Department of Trade and Industry and the companies, after an MMC report on the carbonated drinks market published in August 1991.

The MMC found competition was generally effective in the take-home trade, but that CCSB and Britvic practices in the leisure trade could restrict choice.

CCSB, a joint venture between the US Coca-Cola Company and Cadbury Schweppes of the UK, said the undertakings would have "no significant impact" on its business as they affected only about 1 per cent of its sales volume.

Britvic, owned by brewers including Bass, Whitbread and Allied Lyons and which has about 20 per cent of the UK market, said it had already started to implement the MMC's recommendations.

Terrorism cover premium rise condemned

By Richard Lapper and Michael Cassell

COMMERCIAL insurance buyers yesterday condemned swingeing increases in premiums for terrorism insurance planned by Pool Re, the government-backed reinsurance company.

The government announced last Friday that it would press Pool Re to increase rates for policies commencing after July 1, following the Bishopsgate bomb in the City of London in April. Large London-based businesses will face increases of more than 300 per cent, according to a letter from the Department of Trade and Industry (DTI) sent to one leading UK company.

In its letter, the DTI said: "The most significant change is the removal of the discounts which had previously been given for large sums insured. We concluded that while this may be an appropriate approach for fire insurance, it is unsuitable for terrorism insurance."

An "extra large" property based in central London and valued at £500m will pay £720,000 for its terrorism insurance after the revision compared to between £175,000 to £262,500 before.

The Association of Insurance and Risk Managers in Industry and Commerce (Airmic), which represents commercial insurance buyers at more than 300 UK companies, says that moves to penalise city-centre businesses, particularly those in London, is "short sighted and could prove counter productive."

The Confederation of British Industry also renewed warnings to the government about the potential impact on business of proposals to raise terrorism insurance premiums on City of London and West End properties.

Mr Howard Davies, CBI director general, urged the government to "think again" and look at how the level of premium affected the take up of cover and, in turn, the flow of premiums to the reinsurance pool. "An increase of this magnitude in the space of only five months is something for which companies cannot budget. Whatever needs to be done – and a good deal less than this would seem to be sensible – it must be phased in over a longer period," he added.

● Mr Justice Saville, the High Court judge, is to step up efforts to rationalise an increasingly complex set of legal actions involving Lloyd's Names in the face of growing congestion in the Commercial Court. This could give a fillip to efforts by Lloyd's to achieve an out of court settlement, some observers believe.

Mr Saville, the head of the commercial court, will meet with solicitors representing groups of Names – the individuals whose capital backs Lloyd's – and their agents at a meeting on June 21 and 22. It is understood that he is unwilling to set new court dates until he has formed an overview.

Building survey finds £19bn in late payments

By Andrew Taylor, Construction Correspondent

MORE THAN 60 per cent of UK construction contracts are subject to late payment, according to a study published this week.

The findings, which indicate that £19bn owed to construction suppliers was held up last year, will give fresh impetus to demands from government and business organisations that companies improve their payment performance.

Late payment has been cited by the Confederation of British Industry, the employers' organisation, as one of the main causes of business failures.

The Institute of Directors last week called for improved court procedures to help small companies get paid on time.

Construction Intelligence Data (CID), an independent research and credit rating organisation, has examined the experiences of about 1,000 sub-contractors.

Its findings show that the record of construction companies, renowned as some of the worst payers in UK industry, has deteriorated further during the past year.

According to CID, the proportion of contracts involving late payments jumped from an average of 45 per cent during the year to March 31 1992, to more than 60 per cent during the following 12 months.

CID estimates that 90 per cent, or £31.5bn of the £35bn spent annually on construction in the UK, is channelled through specialist sub-contractors.

Sub-contractors claim that financially hard-pressed main contractors are holding on to cash as long as possible instead of passing on payments from developers and building owners to sub-contractors which are actually doing the work.

Their biggest concern is that main contractors may fail before payments have been made.

CID said the average number of days for which payment was delayed, after the date agreed in the contract, had risen from 13 to 28 since the end of March last year.

It also complained that main contractors were automatically deducting discounts to encourage prompt payments even when payments were late. Almost three-quarters of late payments had discounts incorrectly deducted said CID.

It estimated that nearly £350m had been incorrectly deducted based on average an discount of 2.5 per cent of the contract value.

CID said that the number of sub-contractors starting legal action against late or incorrect payment had risen sharply during the past 12 months.

Best-ever quarter for UK tourist industry

By Michael Skapinker

THE UK tourist industry this year enjoyed its best-ever first quarter, with 3.6m visitors entering the country between January and March, according to figures released by the British Tourist Authority.

Tourist spending was also at record levels, rising 13 per cent to £1.5bn. Total visitor numbers were 8 per cent up on last year.

The increases were achieved despite a fall in the number of North American visitors. Visits by North Americans fell 6 per cent to 600,000 in the first quarter. However, the number of visitors from western Europe rose 12 per cent to 2.3m – higher than in any previous first quarter.

Mr Dick Batchelor, the BTA's assistant marketing director, said blizzards on the US east coast during March had hampered efforts to attract American visitors.

Some in the UK tourist industry have criticised the BTA's US offices for not giving greater publicity to the pound's weakness.

Mr Batchelor said that the Spanish and Italian markets seemed particularly healthy. He said the BTA would be happy to see a small amount of growth in the number of visitors from Germany this year, given the downturn in the German economy.

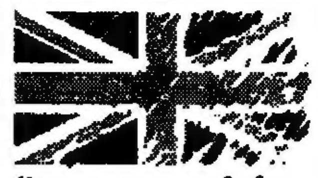
Queen's day passes without pomp

QUEEN ELIZABETH II let the 40th anniversary of her coronation pass almost without mark yesterday but for a 41-gun salute in London and the issue of a special £5 coin. The Queen, 67, ordered the low-key approach after describing 1992 as her "annus horribilis".

Yesterday's press coverage was far removed from the respectful tone of 1953. Forty years on, the left-of-centre Daily Mirror ran a front-page comment headlined: "How long to reign over us?" Royal scandals and the costs of monarchy in a recession have all eroded some of the popular appeal of the monarchy, although the Queen has remained largely above the debate.

She celebrated her coronation by watching her horse, Enharmonic, win at Epsom, the south of England racecourse. At the same meeting, the 214th Derby was won by Commander in Chief at 15-2. The race, following the disastrous Grand National at which £70m was returned in void bets, was expected to be the biggest betting event of the year.

Britain in brief



'Progress' in talks over BA dispute

Talks aimed at averting a strike among British Airways cabin crews and ground staff were adjourned yesterday, with claims by the management that some progress had been made.

BA is now seeking a meeting with Mr Bill Morris, general secretary of the TGWU general union, in an effort to resolve the dispute over pay and conditions.

"Talks were constructive and we made definite progress on one issue and now seek further talks on the outstanding issue," said a spokesman for BA. However, a union spokesman said there was still "a big chasm between both sides."

The main issue, conditions for BA's Gatwick-based staff under the airline's reorganisation plans following its acquisition of Dan Air, remains to be sorted out.

The meeting followed a ballot of BA's TGWU members last week which resulted in 62 per cent voting for a strike. Mr Morris said if no agreement was reached a strike would be called.

UK reserves up $78m in May

The UK's gold and currency reserves rose an underlying $78m in May, the Treasury announced. The overall level rose by $71m taking reserves at the end of the month to $41.7bn compared with $41.6bn at the end of April.

The underlying change in the reserves excluded a number of factors including proceeds from this month's tender of UK Ecu Treasury bills and sales into the secondary market. These amounted to a total of $1.17bn.

It also excluded maturing UK Ecu Treasury bills of $1.16bn and repayments of borrowing under the exchange rate cover scheme of $22m.

Rift deepens on teaching

The rift between the government and the teaching profession deepened yesterday after Mr John Patten, the education secretary, accused head teachers of "turning back the clock to an educational dark age".

Mr Patten's speech to the annual conference of the National Association of Head Teachers in Newcastle upon Tyne met with a fiercely hostile reaction, punctuated by hisses, jeers and shouts of "rubbish". Mr David Hart, NAHT general secretary, said it was the roughest reception head teachers had ever given an education secretary.

Disputes over national curriculum testing and school league tables overshadowed Mr Patten's announcement at the conference that sweeping reforms of teacher training in primary schools would be published next week.

Guest column, Page 14

New standard for auditors

Companies must obey the spirit and reasoning of the new accounting standards in almost every circumstance if their accounts are to comply with the law, under draft rules issued by the Accounting Standards Board.

Members of the UK accounting bodies who are directors or officers of companies are also required to ensure that their fellow officers fully understand the significance of the board draft's. The details come in two documents which stress that the standards issued by both the board and its urgent issues task force are underpinned in law.

Novel car crime 'growing fast'

About 500 car windscreens are currently being stolen each week and this is now the fastest growing form of car-related crime in the UK, according to Autoglass, the replacement windscreen company.

The thefts are the consequence of the introduction of a stricter regulations in the annual MoT test which requires damaged windscreens to be replaced.

MANAGEMENT: MARKETING AND ADVERTISING

Doing business in Japan is bound up in ritual and customs. **Walter Bruderer** offers a 10-point guide

Bridging the divide

If your company is planning to do business in Japan for the first time, prepare for a shock. *Modern, high-tech and sophisticated* it may seem; but in many respects it remains an old-fashioned country, clinging to ancient business practices and bound by traditions that mystify outsiders.

After 10 years of living in Japan, I have found 10 keys to getting off to a good start:

● **Establishing a good relationship.** The Japanese tend to be *rather formal in the rituals of beginning* a relationship with a foreigner. It is a slow process – the introduction, exchange of business cards, the gradual beginning of business talks, drawn-out decision-making.

The Japanese believe this is a judicious way to launch a long-lasting business relationship. Most Japanese expect to remain with one employer for life. If they choose to do business with you, they expect the friendship to generate loyalty on both sides and endure into the future.

Such a valuable business relationship requires careful cultivation – *sales calls, courtesy visits, perhaps* an occasional lunch or other social event.

● **Describing your organisation.** Besides wanting to get to know you, the Japanese believe getting to know your organisation in some detail is time well spent.

On your first visit your host will welcome pamphlets, brochures, anything that describes your organisation, where it operates, what it sells *and what you hope to accomplish* in Japan. These may have been published originally in English or *another language, but it would be* courteous to have the main points printed on a separate piece of paper *in Japanese and inserted in each* document.

● **Meetings.** For a first meeting, try to get a mutual acquaintance to introduce you by letter or telephone. The Japanese are accustomed to this. Request a time for your appointment and, once made, don't change it. This demonstrates that you respect the other person's time and that you are reliable and well organised. Do not make so many appointments for the day that you have to rush. Tokyo and Osaka are enormous cities, so make allowances for traffic delays that could disrupt a schedule.

Bring a small gift for your Japanese counterpart. A good choice is a modest novelty item made in your country. A bad choice is an item from your firm, which is viewed as a paltry giveaway and not as a gift.

● **Knowing how decisions are made.** Decisions in Japan are usually made by middle management, not by the president or chief executive officer.

When you first call on a firm, you may meet the president, but only to exchange greetings. With that formality out of the way, you will make your proposal at a lower level, probably to the head of a department or division.

● **Waiting for a "yes" or "no".** If you are accustomed to a prompt "yes" or "no" after making your sales pitch to a prospect, the deliberate decision-making of the Japanese may shock your sensibilities and shake your ego.

No matter how attractive your product, how thorough and convincing your presentation, how flexible and accommodating your position, do not expect to come away from your first meeting with a "yes" or "no". The Japanese will assure you that they will consider the matter and see what action can be taken.

It is partly a matter of courtesy – not offending you as a foreigner with a hasty "no". It is also a matter of the Japanese wanting time to evaluate your proposal, your organisation and you personally. They anticipate a long, loyal relationship and this rules out precipitate action.

This is the way of doing things in Japan. And, once the decision is made, it will usually be final and carried out expeditiously because the middle manager has consulted everyone, effectively *cutting off* further dissent.

● **Being patient, patient, patient.** *Traditions, customs, rituals* are evident everywhere in the Japanese way of conducting business. They have a tendency to slow things down. But they add a certain charm and tend to venerate long-lasting, loyal relationships.

The best virtue you can display in the face of traditions is patience. It *may be the key to your success* in Japan.

● **Using the Japanese language.** You would be wise to use Japanese in sales materials and every kind of promotional effort.

Using the language helps give you the look of belonging and you increase your chances of reaching and persuading the Japanese by using their language.

To *make sure no misleading* or offensive nuances find their way into your copy, hire a native-born writer to translate your copy into Japanese.

If you cannot escape using English instead of Japanese, be warned this will do some measure of damage to your image as a newcomer to Japan.

● **Speaking English.** For all practical purposes the Japanese are not fluent in English. But they are not total strangers to the language and many have a limited vocabulary.

If you have to use English, speak slowly; use simple words and sentences; be direct and uncomplicated; write down key words and numbers and display them in a meeting. If you can at least learn some common Japanese expressions, the Japanese will admire your effort to fit in. Even a meagre vocabulary will help you catch the meaning and flavour of what is *being said.*

While language at first appears to be a significant barrier, it is not an *insoluble problem. When there is a* lot at stake it is remarkable how a way can be found if both sides *make the effort.*

● **Adopting a moderate approach.** The Japanese prefer your sales *efforts to be in keeping with their* customary pace – moderate, low-key, deliberate.

In this unhurried atmosphere, the Japanese view the hard-driving, argumentative, slam-bang type of presentation as self-centred, ostentatious and confrontational. It is the wrong way to nurture a relationship.

The Japanese have as much competitive fire as anyone. But they believe a moderate manner works best for them, as it therefore will for you as well.

● **Dressing.** In Japanese offices, individuals rarely wear clothing that makes them stand out. They favour plain, conservative dress. So should you. You are better off blending in quietly than loudly standing out.

The author is a specialist on east and south east Asia and is presently living in Switzerland.

Better service or your money back

Cash compensation schemes have become popular, despite initial scepticism, writes **John Willman**

When John Major, the UK prime minister, launched the idea of a Citizen's Charter in March 1991 to raise the standard of public services, politicians, *commentators and civil servants* were deeply sceptical of the project. Some of the greatest reservations were expressed over Major's desire to pay customers compensation when services fail to come up to scratch.

Money paid out to dissatisfied customers was money which could not be spent on improving services, the sceptics argued. Compensation payments to some customers meant worse service for all customers when budgets were constrained by tight cash limits, the argument went.

However, many organisations have found that cash compensation schemes offer a relatively cost-effective marketing tool. Apart from providing balm to soothe the wounds of dissatisfied customers, they also symbolise the organisation's desire to respond to consumer concerns.

Creating such schemes can help *identify sources of customer dissatisfaction* and provide incentives for managers to meet customer *satisfaction targets.*

The idea of providing cash compensation has been widely taken *up by the privatised utilities,* often at the insistence of their regulators. Water and electricity companies, British Gas and BT all offer small sums (typically £10 or £20) to customers for failure to keep appointments and for prolonged loss of service.

The pioneer of such schemes was East Midlands Electricity which, even before privatisation, offered its 2.2m customers £10 if the company failed to keep an appointment.

"Our market research told us that we weren't trusted by our customers," says Nick Akers, East Midlands' corporate relations manager.

"We had a reputation of saying we'd *come on Wednesday* and turning up on Thursday."

The scheme certainly appears to have been *successful in* improving the company's image, giving it higher satisfaction ratings than other utilities in the area.

Providing such compensation has been relatively inexpensive. With 99.74 per cent of appoint*ments kept*, less than £35,000 was paid out in the nine months to the end of March 1992.

"It provides an internal discipline for the company itself," says Akers. "Staff know that they are *expected to meet customer service* targets, so the company ends up paying out very little."

The scheme has been extended since its launch in 1985 and now covers 16 different service targets. Customers can ask for calls to be within a two-hour time slot or even at a specific time if they prefer. And the basic payment has been raised to £20.

Other public services have followed the utilities' lead in imple*menting the Citizen's Charter*. The Benefits Agency, for example, paid out more than £1m last year for *excessive delays in settling claims* for social security benefits and pensions. British Rail spent an *estimated* £3m *last* year on compensating passengers for delayed and cancelled trains.

Cash compensation schemes can offer a relatively cost-effective marketing tool

Local councils have also introduced a variety of compensation schemes. Torfaen in Wales pays tenants £10 for breaches of its housing department customer service guarantee. The London borough of Islington gives free entry vouchers to people using its swimming pools if the water is dirty or not warm enough.

Fashionable though compensation schemes have become, care is needed in devising them if they are to improve the organisation's *standing, says Sue Bloomfield* of the Consumers Association.

"It's a good way of acknowledging that your *customers* have rights," she says. "But most consumers would rather have a good value-for-money service."

Gareth Jones, research director of the customer service consultancy BEM, warns it is important to find out what it is the consumer feels is important.

"People think that service guarantees are a good idea," he says, "so long as they apply to things that are important. They are not impressed with guarantees of things they take for granted, such as hygiene or safety."

But at least as important as offering redress to dissatisfied customers is the aim of using cash compensation schemes as a management tool for focusing on customer service, says Brian Hilton, head of the Cabinet Office Citizen's Charter Unit.

"The amount of compensation paid out in different parts of an organisation is a good indicator of how well each part is meeting its individual customer service targets," he says.

"Top management should use this information to identify and improve weak areas, reward good performance and thus reduce the need to pay compensation at all."

This approach is well illustrated *by London Underground,* which links managers' performance pay to the amount of compensation paid out under its *Customer Charter* in their part of the business. With a real incentive to meet customer service targets, they ensured that London Underground paid out less than £70,000 in compensation last year and hit or comfortably exceeded all its service targets.

"Our Customer Charter is all about delivering a service that makes refunds an exception rather than a rule," says Denis Tunnicliffe, London Underground's managing director.

And that provides the answer to those who worry that cash compensation schemes mean less to spend on improving services.

A well-structured scheme should focus the *organisation* more tightly on service performance targets in such a way as to ensure that customers only rarely need to claim a payment.

TECHNOLOGY

Globex's troubles are rooted in the fact that many futures exchanges prefer open outcry trading to screen-based systems

Trouble after hours

Since its launch the Globex trading system has provoked much criticism, write **Tracy Corrigan and Laurie Morse**

It is late in the afternoon and Chicago's futures trading floors are closed. But high in an office tower on LaSalle street a futures trader-turned computer operator is juggling his telephone and keying in a customer order to sell D-Mark futures. His after-hours Globex terminal asks for account information and a security code, then accepts the order.

In the intervening minute, the interbank foreign exchange trader at his elbow has taken, priced and executed a telephone trade for a large quantity of D-Marks in the over-the-counter market. Long after the telephone trade is finished, the computer order glows on the Globex screen, unmatched.

Globex, the after-hours trading system for futures and options contracts developed jointly by Reuters and the two largest futures exchanges, the Chicago Mercantile Exchange and the Chicago Board of Trade, was conceived in 1987 as the high-tech weapon that would electronically project Chicago futures trades around the clock and around the world. It was also designed to blunt competition from overseas exchanges and turn a potential off-exchange competitor – Reuters – into a partner.

Five years and an estimated $80m (£52m) later, its technology had already been overtaken by the time it was launched in June 1992.

Globex's problems are rooted in both the conception and execution of the service. "Globex was conceived when the 24-hour global dealing desk was envisaged – but that has never really happened," said Tony La Roche, managing director of Cater Allen Futures.

During the 1980s, "globalisation" was a buzzword in the financial markets. The concept was that as barriers between markets fell, trading would cease to be concentrated in domestic markets, and would, at least in large markets such as the US Treasury market, continue 24 hours a day with flows of paper moving around the world.

Instead, trading has remained concentrated within the domestic timezone of the relevant instrument. For example, the Japanese Government Bond market is highly liquid during the Far Eastern trading day, but activity tails off when that market closes.

Because Globex is a futures market, it is difficult for heavy volume to be generated when the underlying cash market is closed. Futures contracts are generic agreements to buy or sell at a set price and time through an organised exchange. The only instruments listed on Globex which have liquid cash markets around the clock are Eurodollar futures and foreign currencies.

So far, trading volume has been disappointing, although the recent listing of products from the Matif, the French futures exchange, helped boost volume. But the system is being used primarily as a means of finishing off late trades in a particular marketplace, rather than for trading outside a dealer's natural timezone. Even then, it is outclassed in speed and liquidity by other after-market trading opportunities.

Its biggest competition comes from the Chicago exchanges. On any given night, while the Globex terminals are live, eight times as many US government bond futures contracts trade on the floor of the Chicago Board of Trade, in sessions that coincide with Japan's market opening.

After the closing bell at the Chicago Mercantile Exchange, 5,000 to 10,000 telephone trades in after-hours Japanese yen and D-Mark futures are done in transactions known as "exchange for physicals", many more than on Globex. And in Singapore, while Chicago sleeps, 10 times more three-month Eurodollar futures are traded on the Simex floor than on Globex. The Simex trades, similar to those on Globex, can be offset by a floor trade in Chicago.

Liquid floor and telephone markets, meanwhile, have improved their own technologies in the past six years. "Globex is definitely the tail of the market, and the tail won't wag the dog," says Brian Duff, foreign exchange product manager for Cargill Investors Services, a Chicago-based brokerage house that staffs a Globex desk.

Most traders familiar with the system say it is not particularly user-friendly. In London, it is compared unfavourably with the after-hours system operated by the London International Financial Futures & Options Exchange (Liffe). Liffe's APT system, which is currently the subject of a development project, is liked by traders because it simulates the method of trading used in the futures pits.

Globex is criticised for its time-consuming order-entry requirements, despite the heavy technology investment its

In a much-needed revival, the Matif doubled Globex volume since it began entering its contracts on the system on March 15. But the boost from Matif is purely local, as UK and US firms have been, to date, unable to trade the French products for regulatory reasons. Ominously, the rise in Matif volume on the system in April masked a decline in trades in CBoT and CME products.

Jack Sandner, the eight-time CME chairman who took the helm of Globex this week, argues that building a truly international system takes time and technical and regulatory hurdles are being overcome.

But international terminal placement is still sketchy; no other exchanges besides the Matif have signed on to list products and technical hitches still dog the system.

Reuters, which contributed most of the estimated $80m cost of developing Globex, may find it hard to recoup its investment. Globex has cut or waived fees on some deals, but Reuters earns $1 per round trade and $800 in monthly rental for some 300 terminals installed.

At the heart of Globex's troubles are the exchanges' reservations about screen-trading. "We all really believe open outcry trading is the better way," says Alger "Duke" Chapman, chairman of the Chicago Board Options Exchange. "It is cheaper and more efficient, with higher bid/ask spreads, than any computer system in the world."

Global screen-based trading may have its day. But Globex is likely to go down in history as one of a number of prototypes, before the final technological breakthrough which makes screen-trading as easy as face-to-face trading.

Taking the soft option

Nuala Moran on protecting the UK coastline

Britain's coastline is under threat. Not only do many of the country's sea defences date from before 1939, but sea levels are rising through geological changes and global warming.

To find better ways of protecting Britain's coastline from both erosion and flooding, the national Coastal Research Facility has been set up. This large tank – built to model the interactions of sea and shore – is the main element of a five-year, £5m coastal engineering programme funded by the Science and Engineering Research Council.

The tank, a joint venture with the contract group HR Wallingford in Oxfordshire, will be able to model 800m stretches of coastline. Paul Meakin, secretary of Serc's environmental civil engineering committee, says one of the main results will be improved software for civil engineers who design and build defences.

Britain has more than 17,000 miles of coastline, subject to the constant attrition of the sea. It is difficult to get a true picture of the scale of the threat because the last survey of flood and coastal defences was completed in 1981, although the Ministry of Agriculture, Fisheries and Food expects to finish its national survey of coastal defences by September.

With sea levels forecast to rise from 4mm a year on the Northumbrian coast to 6mm in the south and east, there is no doubt that the UK needs to improve its sea defences. But there is no consensus among researchers, engineers and funding bodies about how to do so. It is already well recognised that "hard" defences will not solve Britain's serious coastal erosion problem. "In fact, sea walls do nothing to stop erosion – they protect the land behind them but overall they reflect energy and cause the sea to take more material away," says Dick Thomas, consulting engineer at Posford Duvivier, maritime engineering consultants.

He says rough, sloping sea walls are now acknowledged as the best way of absorbing rather than reflecting the sea's energy, and walls of this type have been built at Mablethorpe and Skegness in Lincolnshire.

Serc is also investigating alternative "soft" defences. "The aim is to find ways of placing sand and shingle beaches and make sure they stay there," says Michael Owen, chairman of the Coastal Defence Research Committee, a unit of Serc's environmental committee.

Beaches are often preferred to sea walls because they can absorb all the wave energy. But they do take up more room. A typical sea wall 5m high may need a strip 10m wide. A shingle beach 5m in height would typically have a slope of 1:8, and a sand beach a slope of 1:20.

The difficulty of designing beaches is to predict what slope is needed for different waves and tidal situations.

Beaches are also subject to drift and so need frequent maintenance. Despite this, they are cheaper than walls, which typically cost around £5,000 per metre. For example, Owen estimates that in the long run the shingle beach constructed at Seaford, near Newhaven, will cost 75 per cent of building a sea wall. But in common with sea walls, beaches can have knock-on effects. It is recognised that raising the height of the sand beach at Bournemouth to cut down erosion has resulted in neighbouring beaches being deprived of their natural source of recharge.

Another problem with building soft defences is finding the right materials. Shingle is best because it absorbs most wave energy, but good shingle is difficult to find, Owen points out.

The Construction Industry Research and Information Association is about to start a £500,000 project on coastline protection and beach management which will investigate this problem. "The aim is to survey resources that for one reason or another are not currently exploited," says Judy Payne, research manager in water engineering at Ciria.

Another approach, which according to Chris Birks, head of flood defence at the National Rivers Authority is "relatively novel in the UK", is the construction of artificial reefs to protect the coast by reducing wave energy. The NRA is constructing reefs 250m off the north Norfolk coast consisting of layers of rock held in place with mesh.

The trend in coastal defences is towards soft engineering, Birks says. "This means working with the coastal processes and using nature against nature."

The most fashionable example is strategic retreat. This means allowing the sea to inundate existing sea walls and create a salt marsh, building a new sea wall on higher ground.

The approach is favoured by the conservation body English Nature because it will create important wildlife habitats and by the ministry because it is much cheaper than building higher and higher sea walls.

No one advocates strategic retreat in areas where there is any risk to property, but there is a feeling that it is pointless to protect marginal farmland when farmers are being paid to take land out of production.

An experiment is taking place at Northey Island in Essex where the tide has been allowed to flood over the old sea wall to begin creating a salt marsh and a lower sea wall has been built on higher ground.

A 10m stretch of salt marsh offers the same protection as 1m on top of a sea wall. But Alan Gray, head of population ecology and genetics at the Institute of Terrestrial Ecology, says it is not just a matter of allowing land to be flooded by seawater.

"Salt marshes need to be designed just as much as sea walls and beaches are. It is essential to carry out tidal studies because there is a chance of altering the balance between the ebb and flow of the tide so that sediments are sucked out rather than being deposited."

The life expectancy of a sea wall is 50 years – the same time it takes for a mudflat to develop into a saltmarsh. So a managed retreat scheme would have much longer life than a hard defence.

However, Dick Thomas is sceptical about building soft defences to replace sea walls. "Even if the sea wall has been undermined, with a bit of work it will be as good as new. If you go to a softer defence you are sometimes rejecting all existing assets."

PEOPLE

Inland Revenue hires critic as tax practice watchdog

The Inland Revenue has made a daring choice in hiring Elizabeth Filkin as its independent adjudicator to deal with complaints from taxpayers.

It can expect little respite from her once she starts work on July 1. She was chief executive from 1983 to 1988 of the National Association of Citizen's Advice Bureaux, an organisation which has been critical of Revenue in the past.

But Filkin stressed yesterday she would approach the job with an open mind. "I come with a chunk of knowledge but not any preconceived views or assumptions. I believe the hearts of the Revenue professionals are in the right place."

The Revenue selected her in open competition from more than 700 applicants. "I have always been interested in consumer rights and justice. And the Inland Revenue is the biggest business in Britain, with a turnover of £18bn a year," she says.

"An organisation with 25 million phone calls a year and 400 outlets is going to have bits that go wrong," she says. "It is vital that we can be confident the tax system is administered as fairly and efficiently as possible and that, when mistakes are made, they are rectified."

Filkin, 52, has a broad portfolio of activities, ranging from chairing the Lord Chancellor's Legal Aid Committee and membership of the Advertising Standards Authority.

She is a director of Hay Management Consultants, focusing on customer service, and a non-executive director of the Britannia Building Society. She was director of community services and then assistant chief executive of the London Docklands Development Corporation between 1988 and 1992.

At the Citizen's Advice Bureaux, she set up a national internal complaints procedure and co-ordinated the 1,000 bureaux nationwide.

The Revenue envisages the position will provide a last post of appeal to deal with complaints in the way tax affairs are handled by its staff. Ms Filkin will be paid £55,000 pro rata, and is currently expected to work a three-day week.

Non-executive directors

■ **John Salkeld**, chairman of Southern Newspapers, as chairman at KYNOCH GROUP.
■ **Rhys Williams**, chairman of the council at the University of Warwick, founder council member of the Engineering Training Authority and a former director of GEC, at TRANSFER TECHNOLOGY GROUP.
■ **David Kerr** has resigned from HAMPDEN.
■ **Alastair Gowan** has resigned from JOHN BROWN.
■ **Michael Pickard**, chairman of the London Docklands Development Corp and retired chief executive of Freemans Mail Order, at BENTALLS.
■ **Sir Hugh Bidwell**, a former Lord Mayor of London and a director of Argyll Group and Rothschild Asset Management, at SAVE & PROSPER Return of Assets Investment Trust.
■ **Michel De Greef** at VERSON INTERNATIONAL GROUP.
■ **Hugh Scurfield** at NM UK Limited, subsidiary of National Mutual Life Association of Australia.
■ **Martin Gilbert** (pictured above) as non-executive deputy chairman at PRIOR.
■ **Stanley Churchfield** steps down from ENTERPRISE OIL.
■ **George Bull** at UNITED NEWSPAPERS. Sir Derek Palmar has retired.
■ **Robin Hutton** at SINGER & FRIEDLANDER.
■ **John Drew** at the ENTERPRISE SUPPORT GROUP.
■ **Michael O'Keeffe** has retired from ALLIED IRISH BANKS.
■ **Alan Jones** at BRITISH VITA.

Wilkinson joins Laird Group

Geoffrey Wilkinson, a former British Steel executive who has been running his own business for the past 18 months, has joined The Laird Group, and will be appointed finance director in July.

Wilkinson, 47, who is reluctant to discuss his experience at Prior Wilkinson, a partnership he set up in October 1991 together with David Prior, son of Lord Prior, describes Laird as "a very good opportunity".

Wilkinson replaces Charles Barton, finance director for the past two years, who announced his resignation at the end of May. At the time, Laird chairman and chief executive John Gardiner explained that Barton had "decided to develop his career outside Laird".

A graduate of the LSE and Stanford, Wilkinson first became acquainted with Laird when he worked for the Industrial Re-organisation Corporation 20 years ago. His next move was to British Steel. There, he became chief economist in 1978, later financial controller of an operating group, and then head of the corporate mergers, investments and divestments team.

He and Prior then briefly worked for Garry Klesch of Quadrex Securities. Klesch put up the equity for a series of steel service sector buy-ins.

Wilkinson moved again, this time to Dillon Reed, but he left when Barings bought into Dillon Reed and the London office was reorganised.

Financial moves

■ **Alan Greenhorn**, formerly director of quantitative research at Hill Samuel, has been appointed investment director at STATE STREET GLOBAL ADVISORS UK.
■ **Colin Fisher** becomes senior general manger, UK retail banking, at LLOYDS BANK.
■ **Mike Evans** and **Bill West** have been appointed to the board of SKANDIA LIFE ASSURANCE COMPANY LIMITED.

ARTS

What is humanity's position in Time and Space as we near the close of the 20th century? This is a large, possibly lunatic question; but it is not too large nor too lunatic for the cinema. Movies have always claimed the right to speak of all things for all people: whether through the globe- and decade-hopping sweep of a film like New Zealand's *A Map Of The Human Heart* or the flashpoint-apocalypse style of Hollywood, exemplified by *Falling Down*.

In both films we are supposed to think: "Ah, this is the way the world crumbles!" Cinema uses its native realism – living actors in living scenery – to foist on us its eschatological mysticism. Push your characters through enough visceral, headline-plucked crises and the filmgoer cannot fail (hope the film-makers) to see the realism of the parts adding up to the judgment-day truth of the whole.

But common sense always fights back. During 100 years of film history, audiences have invented their own defence against aesthetic hoodwinking. It is the notion of "camp": the awareness that large gestures, far from indicating large thoughts, often betray pintsize ideas or emotions.

"Camp" is present in both these new films from opposite ends of the planet. *A Map Of The Human Heart* makes metaphors as vast, flamboyant and perishable as ice palaces. The main leitmotif is cartography. Eskimo hero Avik (Jason Scott Lee) begins as a map-maker, helping a British airman (Patrick Bergin) chart the Arctic wilderness in 1931; then becomes a lovelorn TB sufferer in Montreal, clutching the X-rays of his beloved like another, interior "map"; then is enlisted by Bergin in a top secret mission to salvage maps from a wrecked German U-boat; then re-meets his adored Albertine (Anne Parillaud), who is working on aerial reconnaissance photos (more "maps"); finally joins the dread flying mission over that network of doomed human souls called Dresden.

We say "finally". But that merely concludes Avik's adventures in perfidious Albion and war-ravaged Europe. At the end – and throughout a film that bounces over the world's surface like a Mexican jumping bean with a flag in the top – Avik returns to the unmappable Arctic. Here a cold infinity at last laps him up, drowning the last illusory contours of human certainty.

Cinema/Nigel Andrews

Good sense fights back

Director Vincent Ward specialises in throwing audiences into landscapes of pea-souper perplexity – see *Vigil* and *The Navigator* – and then saying "Find your way out". If he makes a film about maps, we know it is to mock them. If he makes a film about a hemisphere-hopping hero, it is to mock heroism and hemispheres and hopping.

A Map Of The Human Heart can look and sound dazzling: from the early scene of the Eskimo boy trampolining into the sky as if to pluck down the plane that will change his life to the last aerial shot of waters swelling around his sinking ice-floe.

A MAP OF THE HUMAN HEART (15)
Vincent Ward

FALLING DOWN (18)
Joel Schumacher

FRAUDS (15)
Stephan Elliot

JAMON JAMON (18)
Bigas Luna

WIDE SARGASSO SEA (18)
John Duigan

But whenever narrative sense tries to creep in, realism and operatic resonance make daft bedfellows. Avik and Albertine entwined in passion atop a barrage balloon; Bergin spitting out literary arias of venom as sexual jealousy turns him from friend to fiend; and in the hospital scenes Jeanne Moreau as a vengeful, mad-eyed Catholic nun escaped from a Bunuel film. "Camp" – that mismatch between the force of the underlying ideas and the billowing flamboyance of the surface – grows ever larger as the film grows longer.

* * *

Meanwhile, in another part of Hyperbole-land, *Falling Down* shows the state of urban crisis Los Angeles has now reached, and the state of storytelling crisis Hollywood has reached. The film begins grim – hedgehog-haired yuppie Michael Douglas stuck in a sweating, fume-polluted traffic jam and getting out to walk across town – and gets grimmer. Mr Douglas is a member of that endangered American species: the disaffected ordinary right-wing kinda-guy. You could call him "dork" for short, though the movie prefers to call him D-Fens after his car number-plate.

D-Fens used to work for a private defence firm but was laid off. Now, with a baseball bat, a bagful of guns and a panjandrum of grievances, he walks in the general direction of his estranged wife (Barbara Hershey), pursued by retiring cop Robert Duvall, whose last day on the force becomes a lulu. Can Duvall stop our hero punching, menacing or shooting almost everyone he meets?

For D-Fens is upset by the incursions made on his life, liberty and pursuit of happiness by traffic jams, street delinquents, Korean corner-shops, feminists, and burger joints that stop serving breakfast at 11.30am. He also has sharp words for golfers and neo-Nazi homophobic shop-owners (Frederic Forrest). And he may bash up his wife and child – or so Hershey fears – once he reaches their pretty suburban nook in Venice, Calif.

Based on the structure of Homer's *Odyssey*, but without Homer's flair for getting on with it, *Falling Down* is two hours of shamelessly repetitive hokum. Screenwriter Ebbe Roe Smith and director Joel (*Flatliners*) Schumacher clearly feel that if you are making a malcontent-on-the-run movie, you must include everything anyone could be malcontented about. The anger must be cross-party. If you offend Asians with a scene in which D-Fens breaks up a shop and derides the owner's accent ("There's a V in 'fiveT'"), you must then hasten your protagonist to a golf course, where he can induce an 11th-hole cardiac by railing about misused parkland. "Children should be playing here!" "There should be zoos!" etc.

Has ever such a bigot for all seasons ever existed? We doubt it. If flat-earthers and vegans are missing from the hit list, it can only be because something had to hit the cutting-room floor. Douglas plays the role with a clench-jawed, weapon-waving automatism and the only actor resisting the melodramatic flood is Duvall, whose low-key cracker-barrel homeyness is a relief in (too) short stretches.

* * *

Hollywood hyperbole ends unwittingly in Camp. Other movies, like Australia's *Frauds* and Spain's *Jamon Jamon*, go to that region deliberately. Gestural excess is their aim and design. In Stephan Elliott's *Frauds* semi-mad insurance investigator Phil Collins plays tricks on a young suburban couple (Hugo Weaving, Josephine Byrnes). Having caught them out in a fraudulent claim – they "staged" a burglary of their own home – he teases them into a nervous breakdown. Stolen goods reappear; life-or-death games are played with dice; and fiendish Phil finally traps them inside the giant *Avengers*-style playroom, bristling with booby-traps, that passes for his home.

You half expect Patrick Macnee and Diana Rigg to come chortling out of the woodwork. Instead all the camping up is done by Collins: a humpty-dumpty joker with two pin-prick eyes, several Swinging Sydney suits and a switch-on V-shaped smile to match his receding widow's peak hair. He could almost be one of his own toys. So could the film, though at 94 minutes it outstays its initially amusing appeal.

Jamon Jamon – Spanish for "Ham Ham" – is a large joint of exactly that. Half-a-dozen heated performers over-heatedly perform in this comic passion play by director Bigas Luna. Since the death of Franco, Spain has discovered all sorts of previously hidden pleasures. Sex, underwear fetishism, nude bullfighting, urination contests: all here in the tale of young Jose Luis, his love for Silvia and his rivalry with hunky Raul. Luna's camera careers round the torrid landscapes and the torrid figures inside them, creating excess where he cannot find it. Seldom has a film that spends so much time below the belt seemed so over the top.

As for *Wide Sargasso Sea*, pity poor Jean Rhys. Directed by John Duigan (*Flirting*), the novelist's haunting Caribbean-set prequel to *Jane Eyre* – the story of the doomed first Mrs Rochester – begins as Reader's Digest and turns slowly into Playboy. Soft-porn rompings *ad nauseam* in rockpools and bedrooms. The film would be camp if it had the energy to deserve the word. Instead it is more like a long night under soggy canvas.

Theatre/Malcolm Rutherford

Smiles with the open-air Shrew

The open air season at Regent's Park has begun without the overwhelming need for an extra sweater or blanket and a slightly underwhelming production of *The Taming of the Shrew* which should mature with the summer.

To be fair to the company, *The Shrew* is about the only Shakespeare work where you might have to apologise for the play rather than the performance. Apart from the taming, which even in former times could be seen as going a mite too far in the direction of female submissiveness, there is not much of a plot, there is no obvious motivation and one of the few memorable lines is the title.

Yet the piece has always acted much better than it reads and to the credit of Toby Robertson, the director, he does not try to read any significance into the text that isn't there. The aim here is fun: smiles on a summer night.

The colours are bright as if the circus or the Commedia dell'arte has come to town. One man balances delicately on a large ball. Another is on a pair of stiletto stilts. The pantomime horse is more of a thoroughbred than an old nag. Paul Edwards, the designer, knows how to light up the park.

Kathy Tyson: colourful Shrew with Lancashire accent

The male and female leads are initially disconcerting. Geordie Johnson's Petruchio has the mid-Atlantic accent of someone slipping in from the movies. In fact, this slightly Errol Flynn approach is a good way of playing the part. Johnson is an experienced Canadian actor.

Cathy Tyson's Katherina (the shrew) sounds as is she has come from Lancashire. There is no reason why she should, but equally no reason why she shouldn't. She seems thoroughly to enjoy herself. Petruchio breaks her in as you would break in a horse. At first both he and Katherina have whips: Petruchio ends up with both of them and the promise of a smooth *ride* – again a perfectly reasonable way to play a not very rational text.

Where the production stars is in adding a bit to the induction scene at the end. The piece starts with Christopher Sly being thrown out of a hostelry, taken home by a lord and being induced to believe that he belongs to more aristocratic surroundings. He then watches *The Shrew*, but disappears from the text.

In the Regent's Park version he dots around the audience while the play goes on, and is finally redeposited on the stage, drunk as at the start. When he awakes it is as if he has been through Bottom's dream. This is a wonderful way of demonstrating that Shakespeare really did have something to do with the the text.

It also adds to the magic of Regent's Park. Sly is played by Dennis Clinton, who has a lot to do with making the production work: it slows down notably in part of the second act when he is not around.

Incidentally, problems with *The Shrew* are as old as Shakespeare. The play was always being renamed and rewritten, whether as *Catherine and Petruchio* or *Kiss Me Kate*. It was not until 1844 that that the original version, including the induction scene, was revived at the Haymarket. No other Shakespeare play underwent such prolonged neglect. You can see why, but you can see also the timeless attraction of the central ploy.

Open Air Theatre, Regent's Park, (071) 486 2431

Rock/Antony Thorncroft

Gabriel ascends to super stardom

For a super star Peter Gabriel is oddly self-effacing. When he broke away from Genesis to go solo he hid himself behind make up and masks; then absorbed himself in WOMAD, his admirable if doomed attempt to bring the music of Africa, Latin America, everywhere, to a record-buying public; and now, on his first global tour in six years, he has handed over his performance to the hot Canadian director Robert Lepage.

Since Gabriel never possessed a mind-blowing voice this is no bad thing. Lepage has served him, and the audience, proud. We get not one stage, but two. A square back area, surmounted by the inevitable screen, is joined by a moving walkway to a circular stage thrust into the stadium.

But this is just the start of the spectacle. On "Shaking the Tree", a mature tree grows up in seconds. For "Blood of Eden", the most affecting of the songs on the new album which lies behind this visit, we get not mechanical gimmickry but waif-ish Sinead O'Connor, bald and barefoot and oddly Eve-like.

By "Digging the dirt" Lepage is in overdrive. In addition to the mouth mike, Gabriel's head is cluttered with an inward looking camera which offers to the screen close ups of his facial tissue usually only permitted to a beautician. At the same time he fondles a white structure on stage which materialises into a plaster cast of his face.

And on and on, each song choreographed to excite the eye, with only "Sledgehammer" stripped down to a rock solo, complete with thrusting pelvis. Near the end the excellent band makes its way along the cat walk to the next gig to disappear in turn through a suitcase while Gabriel displays his stellar status by making a significant exit, enveloped from above by a descending dome.

The space craft rises to reveal the regrouped musicians playing "In your eyes" and then the resonate "Biko", Gabriel's moving tribute to the assassinated African politician, which always closes his show with political correctness and an irresistible chorus.

As a Peter Gabriel sceptic I was completely won over by the spectacle, if not by the music. You hardly think about the cost: just enjoy the vision. It is emotional spoon feeding of the most extravagant kind, but extremely pleasant – for a while.

Opera/Alastair Macaulay

Trial by Jury in ideal surroundings

The best joke of the BOC Covent Garden Festival has been in setting. No, *not The Magic Flute* in the Freemasons' Hall, but *Trial by Jury* in Bow Street Magistrates' Court. The performance was not wonderful: it never interfered with the immense fun of watching Gilbert and Sullivan's travesty of a breach-of-promise trial in one of the most celebrated courtrooms in the country.

The chamber proved ideally intimate; the production, by John Gardner, was updated. Some jurors carried tabloid newspapers, and at the end Judge and plaintiff posed for press photographs.

It cannot be said too often, however, that Gilbert and Sullivan would be more seriously funny if singers trusted the music and stopped behaving as if they knew very well they were part of a jolly amusing jape. Worst culprit here was the Judge – Robert Neil Kingham. Most nearly scotfree was the defendant, Andrew Busker, singing with blithe ease and never mugging once. Yet why dress him in T-shirt and jeans? The words tell you he has respect for the court, and the music gives him so plain a kind of tawdry lower-middle-class heroism that you know he should be wearing at least a tie, if not also a nasty double-breasted suit.

Over at the Donmar Warehouse, travesty of another kind. I have been catching the Second Annual Farewell Recitals of Vera Galupe-Borszkh (traumatic soprano) since 1988, and the pleasure does not pall. The great, the abiding, joke here is Vera herself, with her grande dame gown, jewels and hairdo, calmly hellbent on making opera communicate to us, giving us a strenuous and ludicrous explanation of what each of her arias is about, and during the aria underlining the point of every phrase with graphic mime.

Azucena not only scorches her fingers on the pyre into which she has just thrown her baby, she then puts on glasses to check that it was indeed her baby – "Il figlio mio!" All done with Vera's incomparably silly earnestness, her intensely unspontaneous delivery, and her crack musical timing. I don't know which is funnier – the degree to which this self-important and well-seasoned Slavic prima donna becomes Azucena, or the degree to which she doesn't.

A few Vera non-musical jokes should have gone years ago – the wheedling Renata Scotto plea "Forgive me my poor English," and the unoriginal nickname "Jess E Normous". And, though Vera's incidentally spiteful remarks about other sopranos are one of her most hilarious facets, her bitchiness is often too laboured.

The most unnervingly comic aspect of her is her musicality – the Mad Scene cadenza she inserts at *just* the right place into her pop song; the longer-than-long phrase-lengths; the gutsy plunges into chest register; or the relieved emergence *from* chest register. An evening with Vera Galupe-Borszkh is a master-class in opera and its absurdity. You don't have to know about opera to hear why Vera is funny – she herself is a crash-course in the art.

Abbey Theatre, Dublin/Alannah Hopkin

Old boys who refuse to grow up

Bernard Farrell's new play shows five apparently normal men reduced to emotional wrecks in the course of a school reunion. There are no old school ties sported here: the Apaches, the scourge of the class of '78 in a large Dublin Comprehensive, are now young professionals of varying degrees of respectability. Instead of going home for sandwiches and cake at pub closing time, they break into the old school, and hold their reunion in a gaunt Victorian classroom with tall windows and cobweb-hung lights perfectly evoked by Frank Hallinan Flood's gloomily realistic set.

Harry, a dubious travel agent laden with cases of lager, his mobile phone buzzing with news of delayed charter flights, is planning a simple "piss up", but Maurice, a psycho-babbling ex-seminarian turned insurance broker, produces a five-point programme and a film projector. Jimmy, the pest control specialist (*not* ratcatcher), expecting another sort of evening altogether, brings his ex-wife Deirdre and a tin of meringues, prompting Nick, the pony-tailed fashion designer (or is it window dresser?) to go home for his wife, Jackie. This is a move he quickly regrets when her ex-boyfriend, the fifth Apache, Paudge, arrives unexpectedly from his prosperous Tipperary farm. The first act passes in a flash as the play skilfully and very funnily reveals the insecurities of the ill-matched group.

The second act opens with Item Three on Maurice's programme: Film. His home movie leads to the revelation that Paudge and not Nick is the father of Jackie's daughter, and the first of a series of physical attacks. Meanwhile Deirdre's guileless revelations of Jimmy's sexual preferences (involving her nurse's uniform and a pair of fireman's boots) provoke Jimmy to that immemorial cue for the major marital row: "I think you've had enough to drink".

But all this is peripheral to the play's central themes of guilt and self-deception. Maurice wants the Apaches to face up to the fact that their bullying was responsible for the suicide of one of their schoolmates, Gregory. Suddenly, perhaps too suddenly for comfort, the ragging is over and it all turns deadly serious as the Apaches are forced to confront their own cruelty and its tragic consequences. So far the evening has been easy going and undemanding, but suddenly we are asked to consider the mindless cruelty of children, and almost as bad, the mindless refusal of these grown men to come to terms with their past.

The play is directed with superb pace by Ben Barnes, but even his best efforts cannot ease the difficult transition from comedy to tragedy. In a generally strong cast, Jane Brennan's carefully controlled Deirdre never puts a foot wrong while Arthur Riordan's Maurice grows ever more sinister and enigmatic. Lines were occasionally gobbled or fluffed but perhaps this was due to the prodigious on-stage consumption of lager.

INTERNATIONAL ARTS GUIDE

■ ATHENS

Megaron Concert Hall Next Tues, Thurs, Sat: world premiere of The Return of Helen, new opera by Thanos Mikroutsikos, staged by Pierre Constant and conducted by Alexandros Myrat, sung in Greek with English subtitles (728 2333)
Athens Festival This year's festival opens on June 13 with first of five Greek National Opera performances of Carmen, followed by English National Ballet on June 24, 25, 27, 28. Other visitors to the festival include the London Philharmonic and Moscow State Symphony Orchestras, Central Ballet of China, Ballet de l'Opéra de Paris and the Peter Hall Company. The Epidaurus amphitheatre has performances of plays by Aristophanes, Euripides and Aeschylus every weekend from July 3 to August 22, except July 24/25 (4 Stadiou Street, in the arcade. Tel 322 1459)

■ BARCELONA

- Romano Gandolfi conducts choral works by Verdi and Boito tonight at Gran Teatre del Liceu. The next opera production is Cosi fan tutte, opening June 17 (412 3532)
- Daniel Barenboim conducts Chicago Symphony Orchestra in Bruckner's Fifth Symphony next Wed at Palau de la Musica (268 1000)
- Information and booking for cultural events available through Caixa Catalunya from 08.00 to 14.00 (310 1212)

■ BOLOGNA

Teatro Communale A Stravinsky double bill, pairing The Soldier's Tale with Les Noces, can be seen tonight, tomorrow, Sat, Sun and Tues (529999)

■ FLORENCE

MAGGIO MUSICALE
Zubin Mehta conducts Nuria Espert's production of Carmen tonight, Sun, next Wed and Fri, with a cast headed by Denyce Graves, Luis Lima, Justino Diaz and Cecilia Gasdia. June 10: Krystian Zimerman piano recital. June 15: first night of Die Zauberflöte. The festival runs till June 27 (Teatro Communale 277 9236)

■ GENOA

Teatro Carlo Felice Tomorrow: final performance of Cavalleria Rusticana and La voix humaine. June 15: Gianandrea Gavazzeni conducts first of six performances of Alberto Fassini's production of Catalani's Loreley, with Marilyn Zschau, Nicola Martinucci and Denia Gavazzeni Mazzola (589329)

■ LONDON

THEATRE
- Sweeney Todd: new production of Stephen Sondheim's musical about the Demon Barber of Fleet Street. Directed by Declan Donnellan in the Cottesloe (National Theatre 071-928 2252)
- Antony and Cleopatra: Richard Johnson and Clare Higgins head the cast in Shakespeare's great historical love story, in an RSC production directed by John Caird (Barbican 071-638 8891)
- Translations: Sam Mendes directs revival of Brian Friel's comedy about a British army unit's hilarious attempts to undertake the first Ordnance Survey map of Ireland in 1833. Previews start tonight, Press Night next Wed (Donmar Warehouse 071-867 1150)
- Leonardo, A Portrait of Love: new musical about the life and loves of Leonardo da Vinci. Opens tonight (Strand 071-930 8800)
- Crazy for You: brilliantly staged Gershwin musical comedy (Prince Edward 071-734 8951)
- For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962.

OPERA/DANCE
Covent Garden This month's Royal Opera repertory consists of La boheme (with Deborah Riedel, Karita Mattila and Jerry Hadley, next performances tonight, next Tues and Fri), Attila (with Samuel Ramey and Elizabeth Connell, first night June 14), Tosca (with Catherine Malfitano and Luis Lima, from June 16) and The Cunning Little Vixen (conducted by Bernard Haitink, first night June 24). Royal Ballet has Anthony Dowell's production of Swan Lake on Mon with Sylvie Guillem, and a mixed bill of choreographies by Balanchine, de Valois and Tetley tomorrow, Sat, next Wed and Thurs (071-240 1066)
Coliseum The Jonas-Pountney-Elder regime celebrates its final month at ENO with Ariodante (tonight, next Mon and Thurs, with Ann Murray), Macbeth (tomorrow, next Wed and Sat) and the world premiere of a new Jonathan Harvey opera, The Inquest of Love, opening on Sat with a cast including Helen Field, Richard Van Allan and Nan Christie. Die Zauberflöte is revived for six performances starting June 14. The ENO season ends on June 26. Kirov Ballet opens a month-long season on June 29 (071-836 3161)
Queen Elizabeth Hall Tomorrow, Sun, next Wed and Sat: Mark Wigglesworth conducts David Freeman's Opera Factory production of Le nozze di Figaro (071-928 8800)

CONCERTS
South Bank Centre Tonight: Libor Pesek conducts RPO in Brahms, Liszt and Mendelssohn, with piano soloist Stephen Hough. Sat: Mark Wigglesworth conducts Premiere Ensemble in works by Mozart and Sally Beamish. Sun: Franz Welser-Möst conducts LPO and Chorus in works by Shostakovich and Schubert. Mon: Pesek conducts Smetana and Janacek. Tues: ASMF Chamber Ensemble. Wed: David Willcocks conducts Bach Choir in Verdi and Stravinsky. June 21: first of nine concert performances by Glyndebourne Festival Opera (071-928 8800)
Barbican Tonight: Steuart Bedford conducts LSO in Shell Scholarship final. Sun: André Previn conducts LSO in Haydn, Korngold and Richard Strauss, with violin soloist Gil Shaham (the first of five Previn concerts this month). Mon and Tues: Paul Daniel conducts London Sinfonietta in Gorecki's Third Symphony. Next Thurs: Cheryl Studer sings Strauss' Four Last Songs. June 19, 20: Boulez and Barenboim. June 24, 26: Boulez and Jessye Norman (071-638 8891)

■ MILAN

This month's programme at Teatro alla Scala includes the Nureyev production of Swan Lake (tomorrow and Sat with Sylvie Guillem), the Strehler production of Falstaff conducted by Riccardo Muti (from June 21) and concerts by the Scala orchestra, the first two of which take place next Mon and Wed (7200 3744)

■ MADRID

- Chicago Symphony Orchestra is currently touring Spain with its music director Daniel Barenboim. Tonight's concert at Auditorio Nacional de Musica features symphonies by Brahms and Tchaikovsky. The tour continues to Santiago on Sat and Sun, Valencia on Tues and Barcelona on Wed (337 0100)
- Aldo Ceccato conducts Spanish National Orchestra and Chorus in Beethoven's Ninth Symphony tomorrow, Sat and Sun at Auditorio Nacional de Musica (337 0100)
- There is a final performance tomorrow at Teatro Lirico La Zarzuela of La forza del destino, with Carol Vaness, Giacomo Giacomini and Paolo Gavanelli, conducted by Lamberto Gardelli. The next production is Der fliegende Holländer, opening June 20 (429 8225)

■ ROME

Teatro dell'Opera Tonight: first of five performances of Kenneth MacMillan's ballet Manon, music by Massenet. Sat, next Tues, Thurs, Sat: La traviata with Giusi Devinu, Luca Canonici and Renato Bruson. Programme subject to cancellation or change at short notice (481 7003)

■ TURIN

Teatro Regio Marilyn Horne gives a concert next Thurs, followed next Fri by the first of ten performances of Lucia di Lammermoor (8815 214)

■ VERONA

The Arena season runs from July 2 to August 31. The opening production is Cav and Pag, starring Placido Domingo, Ghena Dimitrova, Leo Nucci and Cecilia Gasdia. This year's other operas are Carmen (from July 3), La traviata (July 16) and Aida (July 31). Booking by letter: Ente Lirico Arena di Verona, Piazza Bra 28, 37100 Verona. Booking by telephone or in person: Arcovoli 8-9 dell'Arena tel 45-596517/fax 45-801 3287. Information: tel 45-590109/45-801 1566.

ARTS GUIDE
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Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
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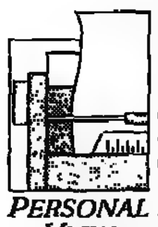
Quality control is here to stay



PERSONAL VIEW

It is sometimes the fate of education secretaries and general secretaries of teacher associations and unions to have to shout to make themselves heard above the din. All very different from the quiet discussions I have had in many classrooms and staff rooms during visits to schools. Parents will be first to applaud if we now enter a phase of quiet and constructive dialogue after the great educational debate of this spring. I hope we never again see industrial action in our classrooms.

As I have always said, my overriding objective is to raise standards. So is ours, say Peter Smith and David Hart in their interesting article in the FT ("The ABCs of a sensible testing policy", May 13). The purpose of testing is, they write, principally to provide "confident information about how children are performing..."

I agree. I am all the more sad, therefore, that some now seem to want to conceal information. The performances of the health service, the police and local government are all carefully measured. It cannot be right that education should be left - uniquely - as the public service for which there is no freely available information on performance. Taxpayers, who contribute billions of pounds every year to education, have a right to know if that money is producing good results, and about which schools are performing well. Tests and the publication of results are an important part of the process of ratcheting up standards.

The premise for any dialogue must be the success of the national curriculum. We cannot raise standards unless we first raise our expectations of what children can, and should, achieve. The national curriculum does that by setting challenging national targets for all pupils across a broad and balanced curriculum. I long ago concluded that the need for such information is greatest in the basics of English, mathematics and science.

This is an ambitious reform. Unlike our main competitors, we have never set ourselves clear national standards. That is one of the reasons – perhaps the most important – why the achievements of our pupils, particularly in the middle and lower ability ranges, lag behind those in France, Germany and Japan. The government is determined that we should catch up.

The counterpart of setting demanding standards is measuring whether you reach them; in other words, good educational quality control. Only those who are indifferent to success eschew the opportunity to gauge how close or how far we are from achieving it. That is where tests come in. National tests are here to stay. They are integral to the national curriculum. Without tests, the standards set out in the national curriculum have no real meaning or force.

Some of the critics of the testing arrangements often forget this umbilical link with the national curriculum. Tests are designed both to provide diagnostic information for teachers and a measure of children's progress for parents. They do this because they are anchored by the standards prescribed in the national curriculum.

The premise for any dialogue must be the success of the National Curriculum

The tests enable teachers to diagnose where pupils are falling short of expected standards and to remedy shortcomings. Of course the quality of education is as high in some of our schools as anywhere in the world, but the urgent need for diagnosis is manifest in the large numbers of young people who leave school without the literacy and numeracy skills needed to make the best of further education or employment. The cost to business of poor skills in literacy and numeracy is now put at £5bn a year.

The published test results also show how pupils, individually and collectively, are measuring up to national standards and how those standards are moving over time. Disengage the tests from the curriculum targets and they will cease to act as an effective measure. Parents and others would be denied an important opportunity to gauge whether or not a school was improving on past performance.

Last year's tests for 14-year-olds in mathematics and science went well. In fact a great deal of time and effort – three years of trials in the case of this summer's tests for 14-year-olds – has gone into writing tests which are a fair reflection of what pupils have been taught.

The government and Sir Ron Dearing [chairman of the new School Curriculum and Assessment Authority] both take the view that the tests should go ahead in order to learn lessons for the future as well; one year's tests are always a staging post on the way to the next. Meanwhile I have asked Sir Ron to review the curriculum and assessment framework to see how its overall manageability for teachers can be improved. Teachers have worked hard since the national curriculum was introduced to put it into place.

The review will consider whether the current curriculum can be focused more sharply so that teachers are clearer about their objectives. It will consider how the arrangements for assessing children's progress against those targets can be streamlined without loss of rigour, but to the benefit of manageability. What is the best balance between tests and teachers' own assessments of school work? How can we minimise the administration of the tests? Will external marking provide a solution? Our aim is to create a broad and effective evolutionary framework within which teachers, governors and parents can act in the best interests of their schools.

That brings me back to the need for a continuing national dialogue and debate. Higher standards in our schools are vital to our national well-being – education is one of Britain's most important enterprises.

John Patten

The author is UK secretary of state for education

ECONOMIC VIEWPOINT

The other 'great depression'

By Samuel Brittan

In an article on March 25 ("Tide turns in the world economy") I suggested that we might be seeing a sea change in the world economy. The word "deflation" was not used. But there does seem to have been a trend towards ever lower inflation, taking one cycle with another.

The main industrial countries witnessed twin inflationary peaks of inflation in 1974 and 1980 following the first two oil price explosions. Since then the inflation trend has been decidedly downwards. The next cyclical peak in 1990, associated with both a worldwide credit boom and the temporary upsurge in oil prices following Iraq's seizure of Kuwait, was very much lower. Since then inflation in most countries has fallen to levels not seen since the 1960s, and could go lower still.

This view of rapidly falling inflation, not just from one year to another but from one business cycle to another, has received a slight dent from the flurry of interest in gold, and the proclaimed interest in that metal of one or two well-known individual investors. There are also a few political straws in the wind suggesting that democracies have not the patience to persevere with low inflation. The probability, however, is that the forces making for low inflation are too powerful to be overthrown by political eddies in favour of cheap money and lots of it.

The secular fall in inflation has been accompanied, unfortunately, by a secular rise in unemployment. There are many structural as well as monetary reasons for this rise. But in view of the rigidities in wage and price adjustment, the pressures to reduce inflation have also meant severe job losses.

The problem with diagnosing such trends is that people rush to ask: "Are you predicting another great depression like that of the 1930s?", even though nothing remotely resembling it has so far occurred.

The difficulty is that in examining eras of modest growth in total spending and downward pressure on prices and wages, people only have the 1930s in mind. It is worth looking at the last previous period of downward pressures to broaden one's view of what can occur. This period was in the UK from 1873 to 1896 and was indeed once known as "the great depression". It gave rise to the first of the many fruitless inquiries about why Britain was being overtaken and to strictures on the laziness of the third generation of businessmen.

In the eyes of subsequent historians, the period was one of deflation, but not depression. The title of a historical booklet, Professor S B Saul's The Myth of the Great Depression, 1873-1896 (Macmillan 1989), tells its own story. As Prof Saul remarks, the most unmistakable movement of the whole century was that for 14 years after 1873 UK wholesale prices, with one slight respite, "fell without cease, overriding all shorter cyclical fluctuations".

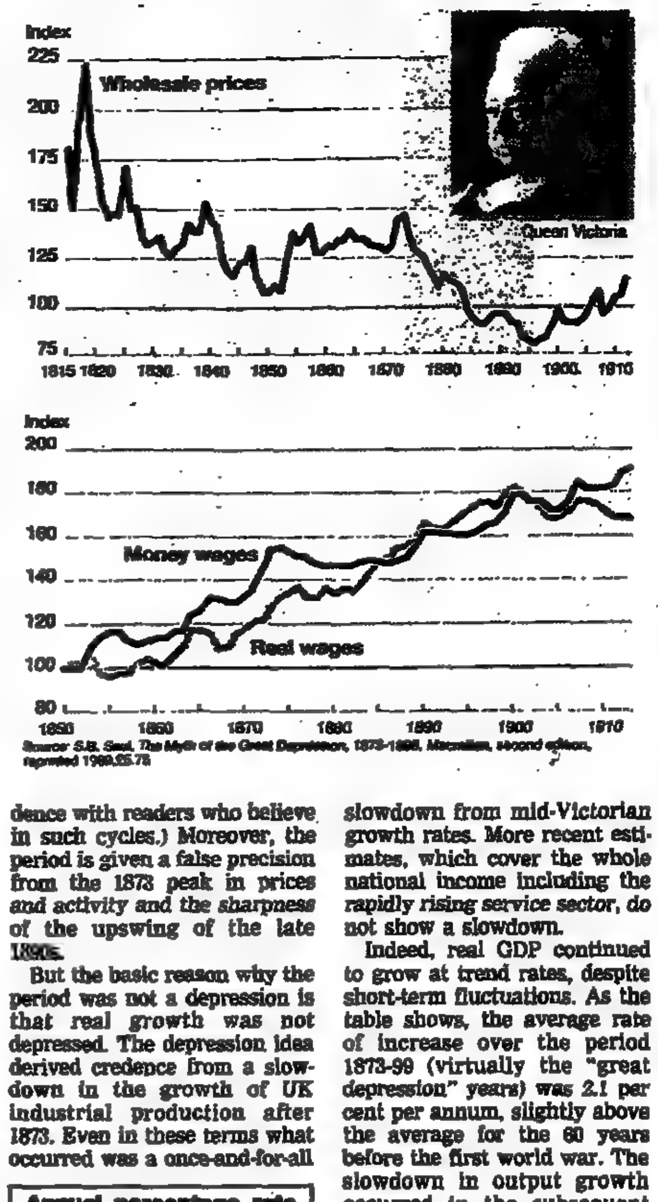
After that there was a modest upswing; but there was a further fall after 1891, which took prices down a further 10 per cent below the 1887 level. Because most industrial countries were linked via the gold standard they saw similar price falls.

Why did prices fall in the late 19th century? At one time historians used to make great play with specific factors such as the Bessemer process which brought down the price of steel rails. The pages of notes on such subjects explain why people such as the late Anthony Crosland regarded economic history as a bore. Such micro explanations do not tell us why innovation expressed itself in falling prices in one period and rising money wages in another.

A more convincing explanation comes from the monetary side. The absence of new gold discoveries until the end of the 1880s, and the rush of new countries to join the gold standard after 1870, increased the demand for gold relative to the supply. As the amount of bank notes and deposits was still related to gold, the growth of both the US and British money supplies slowed down.

The original reason why Prof Saul and other historians rejected the idea of "the great depression" is that it is associated with the dubious idea of 50-year-long Kondratieff economic cycles. (Alas, I cannot engage in one-to-one correspondence with readers who believe in such cycles.) Moreover, the period is given a false precision from the 1873 peak in prices and activity and the sharpness of the upswing of the late 1890s.

Late-Victorian depression: mostly in prices



Source: S.B. Saul, The Myth of the Great Depression, 1873-1896, Macmillan, second edition, reprinted 1989,25,73

But the basic reason why the period was not a depression is that real growth was not depressed. The depression idea derived credence from a slowdown in the growth of UK industrial production after 1873. Even in these terms what occurred was a once-and-for-all slowdown from mid-Victorian growth rates. More recent estimates, which cover the whole national income including the rapidly rising service sector, do not show a slowdown.

Annual percentage rate growth of UK real GDP

1856-60	1.7	1856-1873	2.2
1860-65	2.0	1873-1913	1.8
1865-73	2.4	1873-1899	2.1
1873-82	1.9	1899-1913	1.4
1882-89	2.2		
1889-99	2.2		
1899-1907	1.2		
1907-13	1.6		

Source: S.B. Saul

Indeed, real GDP continued to grow at trend rates, despite short-term fluctuations. As the table shows, the average rate of increase over the period 1873-99 (virtually the "great depression" years) was 2.1 per cent per annum, slightly above the average for the 60 years before the first world war. The slowdown in output growth occurred in the subsequent period up to 1913 when prices were rising once more.

While the growth of real output was maintained in "the great depression", the jobless story was different. Unemployment is estimated, on the basis of union returns, to have risen from an average of 5 per cent in 1851-73 to 7.4 per cent in 1874-95, before falling back to 5.4 per cent in 1896-1914.

The wages chart is suggestive. It shows that, despite the downward pressures from the demand side, money wages continued to grow over the 1873-96 period taken as a whole. Prof Saul writes of "the ability of wage earners to force money wages up above prices in the boom years and to maintain a money wage plateau in between". The result was that when the growth of nominal demand slowed down the share of profits was squeezed.

The prosperity of the period was at the expense of those who became unemployed. This, together with the pressure on profits and the shift in the economic structure away from manufacturing, produced a lack of confidence and doom-laden writings all too familiar to someone looking back from the late 20th century.

Net domestic capital formation was not in fact very different in 1873-96 from what it was before or after, measured in a percentage of gross domestic product. But as the 19th century drew to a close it fell behind the corresponding proportions in the US and Germany. Whether or not a long-term British economic disease was already taking root is a separate historical controversy from that of the supposed "great depression".

The 1873-96 episode suggests that deflation need not mean depression or the absence of growth. But it is likely to mean pressure on profits and jobs; and the same is likely to apply to its modern equivalent of severe downward pressure on the inflation rate. Comparison with the true depression of the 1930s emphasises how important it is to prevent a slowdown in the growth of nominal demand from degenerating into a self-perpetuating downward spiral. This happened in the 1930s much more in the US and Germany than it did in the UK, but the result spread worldwide.

A moral from the late 19th century is the importance of pay and price flexibility. There are today more institutional obstacles to such flexibility than there were then. On the other hand, with a much higher real national income per head, it ought to be easier to top up the pay of those who suffer most from taking a pay cut or give up a pay increase to preserve jobs. If genuine deflation need not involve depression, how much more does that go for the symptoms associated with the achievement of low inflation.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No way to respond to capital idea

From Mr P R Pennington-Legh.

Sir, The laconic dismissal by David James at the Royal Albert Hall meeting of Lloyd's Names of the ability of the Society of Lloyd's to raise capital on the international capital markets is typical of the closed mind and closed-door response to the idea ("Lloyd's urges Names to settle grievances through negotiation", May 26).

What this well-known company doctor cursorily dispatches with the short dictum that the bond idea is "non-viable" is similarly dealt with in single words such as "unrealistic", "impractical" and "undesirable" within the business plan.

This lack of explanation is not acceptable. Yet without hint of irony Names learn that there are queues of institutions and blue-chip companies (which Names were told so impressed Mr James), which are nevertheless clamouring to invest in Lloyd's because future profits will be so great.

Both assumptions cannot be right.

Peter R Pennington-Legh,
chairman,
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London SE1 9RY

Self-regulation is best route to curb excessive directors' pay

From Mr Peter M Brown.

Sir, Mr Broome's letter (May 29) calling for legislation to curb excessive directors' remuneration will find support with many private and some institutional shareholders. However, the Cadbury report has only been published for six months and is already changing the map of corporate governance, helped by the call from Postel/Gartmore for a reduction in three-year rolling contracts that can keep too many marginal performers in their jobs.

Judging by the regulatory problems stemming from the Financial Services Act in 1986, I suspect that the self-regulatory route will be more effective and certainly quicker. The Americans are, for instance, having problems legislating for the non-tax allowability of compensation over $1m for each of the top five corporate officers in public companies when the payment has not received shareholders' approval. Shareholders could pay excessive remuneration and extra tax, thus facing a double whammy.

We work for owners, compensation committees and non-executive directors and from our experience would suggest three additional areas for self-regulatory pressure:

- That the compensation committee advisers should be named in the annual report.
- That the future pension cost of directors' penultimate salary awards should be certified by the actuaries as already funded by pension surpluses or, if not, what the future corporate cost will be.
- That a mini-Cadbury, laying out best practice for smaller public and large private companies, should be commissioned in the very near future. For instance, the requirement to have three non-executive directors is quite unrealistic for many such boards, but there seem to be more issues concerning the independence of pension fund trustees in groups of this size.

Peter M Brown,
chairman,
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London WC2R 0BA

Bit late in the day to say that

From J M Preston.

Sir, I bet Norman Lamont wishes that the FT and other papers had published a week ago all the nice things you had to say about him last Friday.

J M Preston,
president,
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Hereford
HR4 0LQ

The Sun seems to have what it wants in Europe

From Sir Fred Catherwood MEP.

Sir, It is useful to have the Sun's black propaganda against the European Community ("Mass trick treaty", May 1) set out in concise form since it is much easier to answer:

- Under the Maastricht treaty, the elected European parliament has to vote for the president of the European Commission and for the commissioners so that they are as accountable to an elected body as our national governments.
- The elected British parliament has had no sovereignty over the key factors in the British economy for years now. When was it last consulted about the exchange rate change?
- The Sun's readers want a note with the Queen's head on it called a pound – don't we all? But the question is, what is it worth? Between the time it was tied to the dollar (1972) and the time it was tied again to the European Monetary System (1992), it has lost nearly nine-tenths of its value. Was the House of Commons responsible for that? In the brief time we were linked, interest rates have come down by a third and inflation by half.
- The Maastricht treaty removes the dependence of the EMS on the D-Mark by giving all countries equal power – exactly what The Sun seems to want.
- Among our partners in the Community, we have fought our last three European wars in alliance with the French, who were in from the beginning, unlike the US which arrived a bit late the last two times.
- We have at least this in common with the Greeks: our Queen married a Greek prince. We are both victims of sailors and in the last century and the last war we did our best to restore and to protect the democracy to which we are both dedicated.
- It is not possible to have a free trade area without the political clout to protect it – to reform agriculture, to protect the passage of exports and put right all the wrongs about which the Sun complains.
- Finally, if we can stand shoulder to shoulder in the North Atlantic Treaty Organisation with foreign commanders, what is the problem?

Or is it that Nato is OK because the commander in chief is an American and so is the owner of the Sun?

Fred Catherwood,
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Guidance on quality standard

From Mr David Franklin.

Sir, "BSI guidance for small firms" (June 1) records that "purchasers have misunderstood the nature of the standard (BS 5750) and insist wrongly on all their suppliers being registered to BS 5750". Purchasers mistakenly believe BS 5750 to be a product quality standard whereas it is a documented quality management system of business procedure.

The Department of Trade and Industry confirms that "BS 5750 is not a product quality system and does not directly improve the standard of the organisation's products and services nor does it confer excellence on the certified organisation, its products or services".

It is to be hoped the new BSI guide to purchasers will refer them to the Guidelines of Purchasing Practices issued by the Department of Environment in August 1992 which stated: "A requirement that tenderers should be certificated under quality assurance standard BS 5750 ... may restrict competition ... and the absence of such certification cannot therefore be considered to indicate necessarily that a company is not competent to carry out work. An authority should not reject tenders solely on the grounds that a company does not have, or does not intend to have, a quality management system provided it is willing to offer other acceptable assurances or evidence of its capacity to carry out work according to specification."

David Franklin,
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FINANCIAL TIMES

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Thursday June 3 1993

Talk tough to Tokyo

IF IN DOUBT, blame the Japanese. This seems to be the motto which both the US Treasury team and the European Commission have emblazoned across their collective chests as they attend this week's meeting of the Organisation for Economic Co-operation and Development. Why is the US *recovery so sluggish*, and European growth non-existent? It's the Japanese trade surplus, *stupid*.

Japan officials should not be surprised that their trade surplus was treated as a principal obstacle to global growth at yesterday's meeting, however much they might resent their being treated as a scapegoat and however much they might balk at calls for further yen appreciation. For US Treasury secretary Lloyd Bentsen, worried by the halting performance of the US economy and fighting congressional protectionists, Japan's surplus is an easy, probably unavoidable, target.

Nor is it just US officials who find the Japanese surplus to be a convenient diversion. This is also true for the European Community, whose economics commissioner, Henning Christophersen, also told Japan to stimulate its economy. For the source of Europe's problems lies closer to home, demonstrated by the fact that Bundesbank president Helmut Schlesinger simultaneously announced that Europe would remain trapped in the Buba's high interest rate grip for some time.

Yet Lloyd Bentsen does have a good point, a rather more sophisticated one than was the norm from previous US Treasury secretaries. Japan's trade and current account surpluses are a problem, Mr Bentsen said, not because they suggest that trade is unfair but because they are a sign that Japan's domestic economy remains depressed. The surplus continues to rise, he explained, because Japanese domestic demand is growing even more slowly than income, thus depressing demand for US imports, undermining the US recovery and depressing global growth.

Mr Bentsen's analysis, while stretching things a little, is broadly right. Japan's trade surplus is currently high and rising because Japanese imports are depressed. Japanese export volumes have risen by 9 per cent since the beginning of 1990 but Japanese imports have fallen by 6 per cent. Little wonder that Japan's trade surplus continues to grow, despite the yen's rise to record highs.

The best way for Japan to stave off protectionist pressures from the US and Europe is to get its stagnant domestic economy moving again. The fiscal stimulus package must be implemented as quickly as possible; short-term interest rates should be cut to *stimulate* monetary growth; and public funds should be used to help commercial banks rid their balance sheet of bad debts faster than at present. If Japan wants a quieter life, it should complain less, listen harder and act faster.

Gone bananas

THE EUROPEAN Community's single market was supposed to bring lower prices and greater competition. But for one commodity – bananas – the programme is going wrong.

Unless challenges to the new banana regime – by Germany in the European Court and by Latin American countries in the General Agreement on Tariffs and Trade – succeed, European consumers will end up paying far more than is necessary for their bananas. Germany, the EC's largest consumer of bananas, estimates that prices will be 70 per cent above free-market levels.

The regime, *due to come* into effect at the start of July, uses a tangle of protectionist instruments: tight quotas for imports of cheap bananas from Latin America, a share-out of quotas among importers, and punitive tariffs on *imports in excess of quotas*. The aim of the regime, promoted in particular by the UK, France and Spain, is to protect their traditional suppliers in former colonies such as the Windward Islands and Jamaica, and in overseas territories such as Martinique, Guadeloupe and the Canary Islands. These growers of "Eurobananas" sell their crop for almost twice the price of Latin American growers of "dollar-bananas".

Bananas are currently protected by a patchwork of national restrictions, doomed by the single market. There were fears that Eurobanana growers would be driven out of business, without the protection provided by *the new* EC-wide regime. But the EC is committed to protecting banana producers under its Lomé convention with African, Caribbean and Pacific countries.

Forget, for a moment, that the new regime makes a mockery of the single market programme. Forget also that, in trying to help one group of developing countries, the policy will harm another.

Even on its stated goal of helping traditional suppliers, the regime is defective. It encourages continued dependency on a crop where they have no long-term viability, because they will only receive support if they produce bananas. Moreover, only a small fraction of the extra money paid by consumers will go to banana growers, with the lion's share inflating the profits of banana importers.

The right policy would be to *encourage growers* of Eurobananas to diversify. Prices in EC markets should be lowered towards world market levels. Meanwhile, growers of Eurobananas should be compensated for the difference between the prices they can expect under the EC plan and world prices, irrespective of whether they produce bananas. Ideally, the money would be raised through general taxes. An alternative would be a low tariff on all banana sales.

Such a policy would be in the long-term interests of Eurobanana growers. It would also open up the market to dollar-banana growers and drive down prices paid by *Europe's banana eaters*.

BT abroad

WHEN CORPORATE executives describe their deals as "nuclear", people should ask what is the fallout. Such is the natural response to BT's proposed $4.3bn investment in MCI, the US telecommunications group, and the parallel establishment of a $1bn joint venture to provide "state-of-the-art" services to multinational corporations.

UK telephone users will wonder whether the fact that BT can splash out such large sums of money shows that its monopoly power has allowed it to earn excess profits since its 1984 privatisation. Shareholders may wonder whether their interests would not have been better served if the cash had been handed to them in higher dividends.

BT's chairman, Mr Iain Vallance, argues that customers will benefit from the range of sophisticated services provided by the new joint venture and that shareholders will do well, because MCI is a good investment. But neither argument is all that convincing.

Multinational customers may benefit from the joint venture, but they are a tiny proportion of BT's customers. Many more could benefit if the deal led to the sweeping-away of the cartel-like arrangements that govern international telecommunications and keep transatlantic phone charges more than twice as high *as might apply* in a competitive market.

Unfortunately, BT does not plan to use its 20 per cent stake in MCI to upset the current arrangements, which involve it channelling the majority of its transatlantic traffic through AT&T, MCI's larger competitor. In some ways, the deal may even delay competition because BT is retreating from plans to set up its own US long-distance operator to rival AT&T and MCI.

From the perspective of shareholders, the concern must be that the deal is another grandiose scheme from a management with a poor track record in foreign *investment. BT has dissipated* shareholder wealth or, at best, broken even from a string of other North American investments – notably, Mitel, the Canadian telecommunications manufacturer, and McCaw, the mobile communications group.

One could argue that shareholders should *be able to take care of* their own interests. But the snag with the British form of capitalism is that it has not been very effective at controlling managements where the principal discipline – threat of takeover – is widely seen as inoperative because of political considerations. This is doubly so in BT's case, which will continue to be protected by a "golden share" even after the government's sale of its final stake in the company next month.

Government, shareholders and consumers ought to be concerned that wealth generated by a regulated monopoly whose management is under little external discipline may be frittered away in unwise foreign adventures. Shareholders, in particular, should be asking *tough* questions.

Expensive vote of confidence

The injection of £500m of new funds into the UK property market may mark a turning point, says **Vanessa Houlder**

When the history of the 1990-93 property crash is written, yesterday's announcement that George Soros had teamed up with British Land to invest in UK property might be seen as confirmation that the market had turned.

Property shares rose across the board in response to the injection of up to £500m of new funds and, more importantly, the vote *of confidence* in Britain's property market by Mr Soros.

The investment decisions of the Hungarian-born investor have been followed closely by the investment community ever since he made a fortune during sterling's forced exit from the European exchange rate mechanism *last September*.

For close followers of the UK property market, the involvement of Mr John Ritblat, chairman of British Land, was also encouraging. Mr Ritblat, a survivor of the 1970s property crash, is widely seen as one of the shrewdest players in the UK property market, having spent some £900m on property during the depths of the downturn. British Land is now the third-largest British property company by market capitalisation, at about £700m, having overtaken more established players such as Hammerson.

The announcement of the joint venture between British Land and Mr Soros's Quantum Fund was *made against a backdrop of steadily* improving prospects for the commercial property industry. This is generally believed to date from sterling's withdrawal from the ERM, which paved the way for lower interest rates, economic recovery and potentially a revival over the longer term in inflation, which enhances the investment appeal of assets such as property.

Improved confidence is most clearly seen in the performance of property shares. Since mid-September, they have risen by 88 per cent across the board compared with a rise of 26 per cent in the FTA-All Share index.

Characteristically, Mr Ritblat *maintains that* the property market bottomed out long before anyone else noticed it. He publicly called the turn a year ago. "For the first time since 1989, we think we have now seen the worst," he said.

Mr Ritblat, the son of a Hampstead dentist, began his career at 17 working for Edward Erdman, an estate agent. He *soon formed* his own agency, Conrad Ritblat, which was taken over by a company called Union Property, which was later reversed into British Land in 1970.

British Land, with Mr Ritblat at the helm, virtually collapsed in 1974, when its share price fell to 3.5p. However, Mr Ritblat kept the support of the banks, and the company had gained back its health by the end of the decade.

Although Mr Ritblat has increasingly won support from investors, his aggressive style is disliked by some of the UK's big institutional investors. The friction came to a head in 1989 when he was forced to abandon a scheme to split British Land in two, after several institutions protested at the terms of the deal.

When he called the turn in the market a year ago, most observers were unimpressed. Concern about the *economy was deepening and* high real interest rates were causing tenant defaults and inflicting heavy strains on the profit and loss accounts of highly geared companies such as British Land. Moreover, the property market was reeling from a spate of bad news, including the collapse of Mountleigh and Canary Wharf. But Mr Ritblat argues the pessimism was misplaced. "A lot of less sophisticated people confuse bankruptcies in the corporate sector with the underlying strength or weakness of the property market," he says.

Any confusion can be forgiven: the behaviour of the property market is far from straightforward. Values generally are still falling, letting-boards litter cities, companies are still collapsing and most companies are still grappling with huge financial difficulties.

So far, any improvement in asset values is *tentative* and limited to small pockets of the market, such as retail warehouses (where British Land has been a notable investor).

Taken as a whole, the property market is still suffering from deep-seated problems. The building surge in the late 1980s has resulted in a large imbalance between supply and demand. In the City of London, one of the worst markets, vacancy rates of 17 per cent are still high by historic standards.

In addition, there is a huge overhang of bank debt depressing the market. International bank loans to the UK property industry now stand at £37bn, part of which will have to be written off. Many of the loans were secured against property developments, which do not have rental income and so have little prospect of finding a buyer.

The severity of some banks' problems was illustrated by last week's *collapse of Speyhawk*, a development company which went into receivership with debts of more than £350m.

The banks' problems with existing property loanbooks are affecting their ability to make new loans. They are only prepared to lend against the very best properties, thus preventing a recovery in the second tier of the market.

So far, the embryonic signs of recovery can be ascribed to the relationship of investment yields to interest rates. In recent years investment yields have risen to a point where they have exceeded the yield on gilts for the first time since the 1960s. When interest rates fell, the yield on property exceeded the cost of finance, making it an attractive investment. *At the end of last* year, the auction rooms reported brisk business as private investors switched into property.

Overseas investors were conspicuous buyers. In particular, German investors were attracted by the high yields on City office blocks and the fall in sterling's value. Gradually, renewed interest *spilled into institu*tional investors, which have also returned selectively to the market.

Increasingly, investors are looking at property because they expect asset values to rise. Until now, many have bought because of property's bond-like income stream, but in future they anticipate capital growth. *They expect growth in two* ways: from a fall in investment yields and from a rise in rents.

Investment yields respond to the amount of money going into property. Although there has not yet been any improvement in average yields, some sectors such as retail warehouses and office buildings in central London have already seen declining yields.

Yesterday's announcement that Quantum and British Land intended to invest £500m (which, with borrowings, could total £1bn) in the property market could help this trend, not least because property owners are increasingly reluctant to sell good-quality property if *they believe the market has turned*.

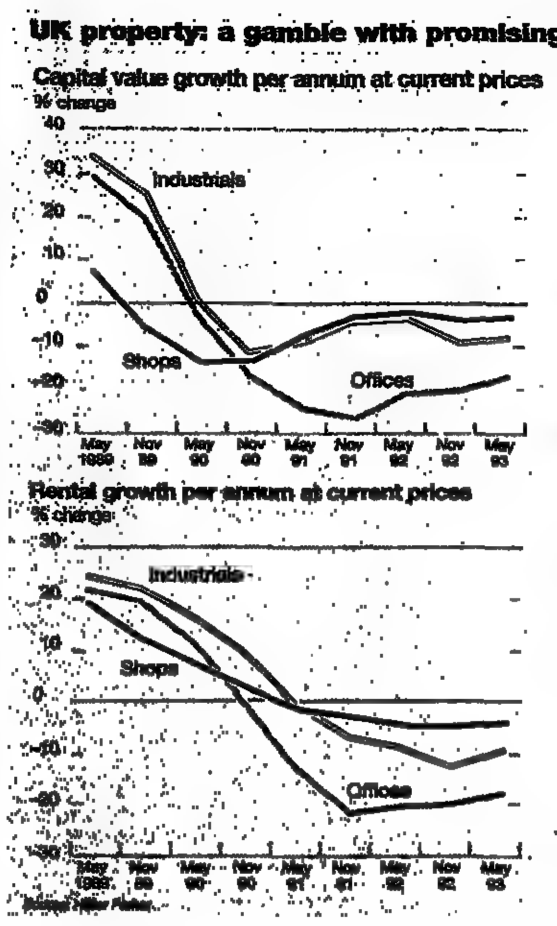
The Quantum/British Land announcement coincides with a recent spate of rights issues which will ease the pressure on property companies to sell property and give them ammunition to do more deals. Property companies have been eager to make the most of the revival in their share prices: nearly £750m has been raised in the past three months; industry observers believe that rights issues worth a further £250m are in the pipeline.

It is possible that the stock market *has* exaggerated the extent of the recovery in the underlying property market. A decline in investment yields signals that investors *believe rents are likely to rise*. However, opinions differ widely on the prospects for rental growth. Mr Ritblat believes rents have virtually stabilised, although most agents report that they are still falling. The outlook for rental growth depends, above anything else, on the prospect for employment.

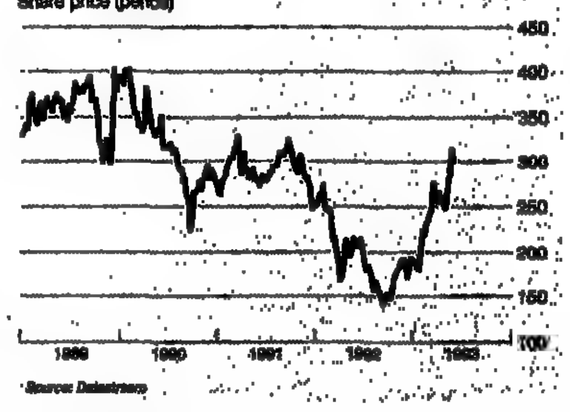
*The feeble outlook for job cre*ation, together with the banking sector's property problems, means there is unlikely to be a rapid recovery in property values across the board. The fundamental problems in the industry will ensure that the decline will not give way to a sharp or immediate upturn.

Nonetheless, there is growing conviction that the worst property decline since the 1930s is over. "Historically it looked very unlikely that we could have got into a sustained period of deflation and slump," says Mr Ritblat. "It was obvious the cycle was bound to turn."

UK property: a gamble with promising odds



John Ritblat George Soros



Quantum leap forward

John Plender assesses the strategy behind Soros's move

When markets move purely on the basis of one man's word and reputation, *cui bono* and *caveat emptor* are usually sound maxims for those looking on. The rise and fall of British investment guru Jim Slater in the 1970s, or the mood swings of Henry Kaufman's following on Wall Street in the 1980s, offer two obvious cautionary tales. Yet George Soros, founder of the offshore Quantum Fund, is no ordinary guru; and while news of his move to invest in UK commercial property set property shares abuzz yesterday, prices in the direct property market are less susceptible to exhortation than in the stock market. Nor is it in Soros's interest to whip up excitement in a market where he has yet to invest his fund's money.

Soros's fame, or notoriety, stems in Britain from the vast profits that he made from speculating against sterling before its exit from the exchange rate mechanism last September. Latterly, his purchase of a stake in Newmont Mining from Sir James Goldsmith and others caused a *stir in the hitherto depressed gold* market. Yet the Quantum Fund has been making waves in global markets for very much longer. It made a big killing in currency after Group of Seven finance ministers agreed to assist the fall of the dollar at the Plaza meeting in 1985. It then lost a fortune in the crash of October 1987.

The decision to link up with John Ritblat's British Land – unquestionably a coup for the British property entrepreneur – is not the first indication from the Quantum Fund of interest in real estate. In February Soros teamed up with Paul Reichmann, of the insolvent Olympia & York property group, to invest in North American real estate. Taken together with the move into gold, this has given rise to speculation that Soros is worried *about inflation*.

In view of the weakness of the global economy, and the total failure of both gold and property to provide a hedge against inflation over the past decade, this seems rather implausible. A simpler explanation might be that both markets have been heavily depressed, while many equity and bond markets have been run up to dizzy heights. The question this time is whether the judgment of Soros is vintage '85 or '87.

Certainly the case for property in the US and UK looks compelling. Economic recovery in both countries, which holds the key to a reduction in the present oversupply of real estate, is taking place ahead of continental Europe and Japan. Yields – the income expressed as a percentage of the price – are at *historically high levels*. While many British properties are let at rents well in excess of current market values, the structure of the old-style British institutional lease with upwards-only rent reviews provides protection where the tenant is of high quality. While such leases are unavailable on many new developments, they continue to provide what amounts to a financially engineered income stream on much of the existing stock of offices, shops and industrial premises.

In fact, Soros already has some indirect experience of the British property market. He invested in a consortium that made a disastrous purchase of property group Imry at the peak of the market in 1989. But this was a small stake, and the big loser from the deal was the bank that provided the finance, Barclays. The chips in the present transaction are bigger and it remains to be seen how a hedge fund such as Quantum, whose *modus operandi* is based on a swift kill in liquid markets, adapts to the slower pace of *the much less liquid property mar*ket and to the habits of its joint venture partners.

But Soros is not a man to underestimate – witness his impressive capacity for recycling the British taxpayers' money to eastern Europe. No doubt the recent devaluation of the peseta will have yielded a similar bonus for the eastern Europeans. It will be harder to extract such profits from bricks and mortar.

Indeed, property is notoriously difficult to acquire, except when no one else wants it. But that is invariably the best time to buy. The long neglect of real estate by British investment institutions is a strong indication that Soros, infallible or otherwise, has got his timing right.

OBSERVER

Heaven sent support

■ Parisians and others visiting the Louvre today should keep careful watch on Leonardo da Vinci's portrait of the Mona Lisa to see whether her enigmatic smile *suddenly turns to a grimace*.

If so, the reason will lie in tonight's London opening of the musical, Leonardo: A Portrait of Love – although not in the plot, despite its romancing about a highly improbable passion for her on the painter's part.

What is more likely to get up her nose *is the musical's financial* basis. It is the crust of bird-droppings that covers most of the Pacific island of Nauru.

The riches founded on the tiny republic's stock of guano were well known to 47-year-old Liverpudlian Duke Minks, who is a long-standing adviser to the government. But he is also an impresario whose show-business career aptly rests on still solider foundations. He was the lead singer in the 1960s chart-topper, Concrete and Clay.

Having written much of the new musical, he took tape-recorded extracts to Nauru, played them to senior ministers, and dropped lucky.

Not only did they pass over £2m backing, but the president and some 30 other government members are arriving to attend the first night. With their guano due to run out in five years, they are hoping the show will pay a high return by proving successful enough for transplanting to to other countries.

Let's hope it isn't given the bird.

Watchword

■ Motto for the day chalked up outside a London wine bar: "Asil's Mates keep him safe."

Cover up

■ Eurospeak again befogged European Community proceedings yesterday, when the interior and justice ministers of the 12 member states met in Copenhagen. They *found themselves* faced with a linguistic problem – what French word to use to indicate that their new drugs intelligence unit spans the whole of the community?

Some, being familiar with the English phrase "umbrella organisation", favoured the direct translation *parapluie*. But as the word carrying *the same idiomatic* sense to the French is "hat", others wanted to use *chapeau*.

The presiding Danish minister finally produced a compromise. Instead of opting for either hat or umbrella, he ruled, it would be best to be equipped with both.

Revised version

■ The more things change... British nostalgia buffs watching this week's Channel 4 early-hours re-run of the 1950s Nat King Cole

"It hasn't worked for education ministers so why should it work for teachers?"

show may have noted that what's now called political correctness was already in evidence four decades back.

Cole's main guest was the scat singer, Cab Calloway, who performed It Ain't Necessarily So from Gershwin's Porgy and Bess, a number in which the raffish character, Sportin' Life, mocks at religious stories.

What wasn't necessarily so in the original lyrics was "the things that you're liable to read in the bible". And that was the version Calloway sang when he played the role on the London stage in 1952.

But for his TV rendering five years later, the producers evidently *thought it safer to take on the* priesthood than sects such as Jehovah's Witnesses, who uphold the literal truth of the scriptures. The line had been altered to "the things that the preacher is liable to teach yer".

Sales pitch

■ Carpet king Sir Phil Harris, aiming to resume his throne on the stock market next week, is understandably boasting how he likes to offer his Carpetright customers value. His sales brochures are singing the charms of his own brand carpet Vivaldi – £7.99 a sq yd in the current sale – by comparison with Kosset's Mozart brand on offer at £8.99.

But never mind the carpet. What would the two composers think of such a measure of their relative merits?

Fail-safe

■ Only in Italy can a transport minister, who fails his driving test, be hailed as some sort of folk hero.

One of the very first things that Italy's new transport minister, Raffaele Costa, did on taking up his post was to sit his country's new written driving test along with the rest of his 54-strong parliamentary Transport Commission. He had been deluged with complaints about trick questions and the general difficulty of the examination. So he took the 30-question test, requiring answers of *true* or *false*, and got eight questions wrong. No more than four mistakes are allowed if a person is to pass.

Costa blames the exam rather than his lack of road knowledge and promises to simplify the questionnaire. His growing band of supporters is hoping that his next posting might be to Italy's finance ministry where he will be required to take on an even more daunting challenge – filling in an Italian tax form without making a mistake.

Polly's testimony

■ Talk about the judgment of Solomon. The head of a Madras court took a feather from the Hebrew king's magisterial cap when called on to decide between a man and a woman, each claiming ownership of the same pet parrot.

The judge promptly subpoenaed the bird, which responded by cawing *"Bilsy... Beeby"*.

Since those happened to be the pet names of the woman's two children, she was awarded the verdict.

Short head

■ Whether or not a Derby bet was placed by president and head of the US armed forces, Bill Clinton, the White House was delighted a Commander-in-Chief had finally won something... and without a mane trim costing $200.

FINANCIAL TIMES
Thursday June 3 1993

Device found near PM's office raises pressure on Italian leaders

Bomb defused in central Rome

By Robert Graham in Rome

POLICE in Rome yesterday defused a car bomb placed in a narrow street within 200 metres of the prime minister's office and parliament.

Mr Carlo Azeglio Ciampi, the prime minister, who was in talks with representatives of unions and employers, declined to evacuate his office and pressed ahead with the meeting.

The authorities claimed the incident was part of a campaign to destabilise Italy. It followed the two car bombs that have exploded in Rome and Florence since May 14, killing five people and damaging the world famous Uffizi gallery.

The discovery of yesterday's car bomb in the heart of Rome has increased the pressure on the authorities to identify those behind the campaign. The two previous car bombs have been blamed on the Mafia but

there is a strong suspicion that elements of the security services, long linked to rightwing extremist groups and the secret Masonic lodge P2, might also be involved.

The government is understood to be considering ways to reorganise the security services, which have always been a law to themselves.

"It is no accident," commented Mr Ugo Pecchioli, deputy of the Party of the Democratic Left, "that every time in Italy's recent history there begins to be a change in the existing balance of power, events occur like this morning's which seek to condition the democratic outcome".

The recently stolen car involved in yesterday's incident contained 20kg of amfo, a mixture of ammonium nitrate and petrol, plus a detonating device. Such a mixture has been used by neo-fascist groups in Tuscany and is different from that employed in the Rome and Florence attacks.

Responsibility was claimed by Armed Falange, the same organisation which said it was behind the two previous bombs. The authorities so far have not taken these calls seriously.

Officials said the car bomb appeared deliberately timed to coincide with yesterday's celebrations of Republic Day (the first car bomb went off on national police day). Its discovery caused serious disruption to traffic as part of central Rome round Piazza Colonna and the Corso was cordoned off. Although the Mafia is being linked to the destabilising campaign, the government yesterday was able to announce another success against Cosa Nostra, the umbrella organisation of the Sicilian Mafia. Security forces arrested Mr Giuseppe Pulvirenti, the most wanted boss in eastern Sicily and head of a well-armed clan in the Catania region. He had been on the run for nearly 11 years.

His arrest followed that of Mr Nito Santapaola the acknowledged boss of the Catania Mafia and the most wanted man in Sicily on May 18, and of Mr "Toto" Riina, considered the "boss of bosses", in January. It also underlined the crackdown in Sicily both against Cosa Nostra and those linked with it.

China loosens restrictions on currency exchange rate

By Tony Walker in Beijing

CHINA has taken an important step towards liberalising its economy by loosening some restrictions on its exchange rate.

The move was not announced publicly, but an official of the State Administration of Exchange Control confirmed that restrictions had been eased on the rate at which China's currency, the yuan, trades in officially controlled swap centres where most foreign exchange transactions are conducted.

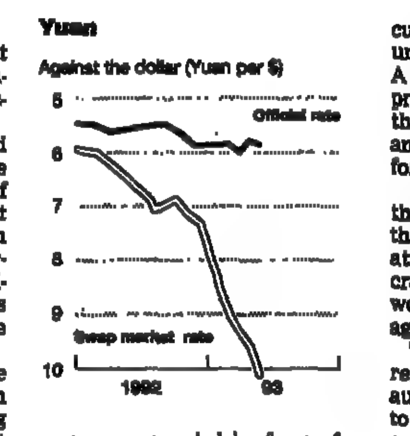
The result was an effective devaluation of the yuan, which slipped in dealings at the Beijing swap centre to close yesterday at Yn10.2 to the dollar, compared with just over Yn8 on Monday.

The new rate is close to that available on the active street market, although the administered "official" rate, used largely for trade transactions under the state plan, is Yn5.7 to the dollar. The swap market rate has slid by over 50 per cent against the official rate in the past year.

Western officials believe pressure from foreign business and from institutions such as the International Monetary Fund pushed the authorities into measures aimed at restoring order to the currency markets.

Business had argued that uncertainty over the value of the

Yuan



yuan, accompanied by fears of a continued depreciation, was undermining investor confidence. Joint ventures have complained of difficulties of access to foreign exchange in the swap centres.

In spite of these concerns, foreign investment in China has continued to climb steeply. The ministry of foreign trade and economic co-operation said yesterday that 17,500 projects involving foreign capital had been approved in the first quarter of 1993, up 320 per cent on the corresponding period in 1992.

Nearly $25bn in foreign investment was committed, and actual investment in the first quarter reached $3bn, up 167 per cent on last year.

Foreign economists saw the currency move as a step towards unifying China's exchange rates. A western official said: "This is a pretty gutsy move. Let us hope this helps to stabilise the rate and allows the Chinese to move forward on unification."

But a European banker said the authorities faced the danger that fears of a continued depreciation, accompanied by demand created by a surge in imports, would fuel speculative pressure against the local currency.

This week's move on currency reform may indicate that the authorities are planning to resort to "administrative measures" to crack down on the black market.

China's central bankers are also letting it be known they intend soon to phase out foreign exchange certificates issued to foreigners since the 1980s as a second tier currency. FECs are not as useful now China's economy has been further opened.

The US Treasury, in a report to Congress last month, strongly urged China to reform its exchange system as a step towards redressing a ballooning trade imbalance. China's trade surplus with the US exceeded $18bn in 1992. The Treasury also said China's re-entry to the General Agreement on Tariffs and Trade would depend on moves towards unification.

German bank head says Emu date may not be met

By Quentin Peel in Bonn

MR Helmut Schlesinger, president of the Bundesbank, yesterday admitted that the target of creating a single European currency by 1997 was "increasingly improbable".

He insisted that the strict convergence criteria for economic and monetary union must be maintained, in spite of fears that few, if any, of the European Community members will be able to meet them during the current recession.

Yet he went on to suggest that one of the criteria – that government debt must be reduced to 60 per cent of gross national product – might be less critical than those controlling inflation and current budget deficits.

Speaking to German bankers in Bonn, Mr Schlesinger rejected recent fears of "competitive devaluations" of European currencies, warning that such charges could undermine international co-operation in the European Monetary System.

He defended the recent performance of the exchange rate mechanism of the EMS, on the grounds that those currencies based on "stable fundamentals" such as the French franc had been successfully defended against speculative attacks.

The central bank president said the changes within the EMS had been a process of correcting unrealistic exchange rates – in particular those of sterling, the lira, peseta and escudo – and not "competitive devaluation".

Mr Schlesinger set himself firmly against any acceleration in the process of gradual interest rate cuts in the lead rates on the German money markets and rejected claims that the German economy was facing its deepest recession since the war.

He warned, however, that the recession could get worse unless the government acted urgently to cut its budget deficit, including unpopular cuts in social spending.

Mr Schlesinger admitted that the importance of the D-Mark as the world's second reserve currency meant the country faced daily reassessment by the international financial markets, "and we do not always provide good news".

Yet in spite of all the structural problems of unification, the ever increasing public sector deficits and the deficit on the current account of the balance of payments, the D-Mark had not suffered any serious loss of confidence.

But given the recent strong growth of money supply, the hardening of interest rates in the capital markets and the weakening of the D-Mark against floating currencies, "the situation needs to be watched continuously," he said.

As for the long-term future of European economic and monetary union, he said it would still need big efforts for member states to fulfil the economic convergence criteria.

Soros to invest in British property

Continued from Page 1

commercial property. Falling interest rates and expectations of economic recovery have already pushed property shares sharply higher. The sector has almost doubled in value since last September.

Yesterday the property sector showed a further 6 per cent rise, with British Land shares rising 46p to 344p. The market was also excited by the thought that some of the funds could be used to finance a takeover in the sector.

Mr Ritblat claimed a year ago to have called the turn in the UK property market, where values have slumped in the past few years. He said yesterday that signs of recovery were "now more widely discernible".

Mr Soros's interest in property has already been demonstrated. In February, he tied up a deal with the Reichmann brothers, the Canadian property developers, to invest in North American property, and in January he took a 3 per cent stake in Berkeley, the UK housebuilder.

However, questions were being raised last night over an agreement under which Mr Ritblat will buy British Land shares from Quantum at 298p, Tuesday's closing price, and over possible conflicts of interest.

Some investors were concerned about the profit Mr Ritblat would appear to make on these shares, but British Land defended the deal saying Mr Soros had required Mr Ritblat "to put his money where his mouth is". Mr Ritblat is required to hold 4m shares for a year and 2m shares until the end of 1997.

Quantum is subscribing to 11.3m new shares in British Land, costing £33.7m, which would give it a 4.8 per cent stake in the company. Quantum will sell some of these shares to Mr Ritblat and place 4m shares into a British Land employee trust.

British Land also announced a £132m rights issue to help finance its share in the partnership with Quantum. It also reported profits of £34.6m for the year to March 31.

Racism

Continued from Page 1

bottom of every attack". This should reveal whether the attacks were co-ordinated, but would be worthwhile anyway, he suggested.

He and other officials insisted that tighter application of laws against illegal immigration helped the cause of genuine asylum-seekers and would enable EC states to take uncompromising action to protect legal immigrants. Common standards on immigration, officials also argued, were essential to allow free circulation of people inside the Community.

Yesterday's meeting underlined, however, that the free movement promised by the EC treaties is still some way off. Only six member states have ratified the Dublin convention to prevent "shopping" for asylum across the EC.

Japan and Germany

Continued from Page 1

for further gradual reductions.

Addressing a bankers' conference on the eve of the Bundesbank's fortnightly council meeting to decide its interest rate policy, Mr Schlesinger said calls for "further, faster, helter-skelter interest rate cuts" to revive the German economy "do not tally with our view".

"At the same time, the current level of interest rates on the money market is no dogma for us: we must continually explore what is possible, what would do the economy good, without arousing inflationary tendencies or expectations by adopting too steep a path."

Mr Hajime Funada, Japan's economic planning minister, meanwhile reassured the OECD meeting that recovery in Japan was starting. The Japanese government believes it should be given time to implement its existing fiscal expansion packages before embarking on further measures. Mr Funada also rejected a US call for setting targets to reduce Japan's large current account surplus.

Mr Christophersen gave a bleak assessment of Europe's ability to stop the rise in unemployment in the EC and European Free Trade Area countries towards 23m by the end of next year.

He said the EC economy would contract this year and achieve only very modest growth in 1994. But Europe needed growth of between 3 and 3.5 per cent to halt the rise in unemployment and this could not be achieved before 1995.

Mr Bentsen also said he expected US growth in 1993 would be less than the 3.1 per cent projected by the US administration earlier this year.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	17	63	Frankfurt	F	24	75	Majorca	S	30	86	Oporto	S	18	64	Tenerife	S	24	75
				Brussels	F	17	63	Geneva	R	14	57	Malaga	S	27	81	Oslo	R	12	54	Tokyo	F	21	70
				Budapest	S	28	82	Gibraltar	S	27	81	Malta	S	26	79	Paris	C	16	61	Toronto †	F	11	52
Ajaccio	S	23	73	Buenos Aires	F	12	53	Glasgow	C	10	50	Manila	C	36	97	Prague	S	24	75	Tunis	S	30	86
Algiers	S	28	82	Cairo	S	36	97	Helsinki	C	15	59	Melbourne	Dr	12	54	Reykjavik	R	6	43	Valencia	S	27	81
Amsterdam	R	20	68	Cape Town	C	18	64	Hong Kong	F	26	79	Mexico City	F	27	80	Rhodes	S	27	81	Venice	S	26	79
Athens	S	29	84	Caracas	F	31	88	Innsbruck	F	24	75	Miami †	S	26	79	Rio de Janeiro	R	24	75	Vienna	S	26	79
Bahrain	S	34	93	Casablanca †	C	21	70	Inverness	R	9	48	Milan	F	25	77	Rome	S	25	77	Warsaw	F	22	72
Bangkok	C	35	95	Chicago †	C	12	54	Islamabad	C	34	93	Montreal †	S	9	48	Salzburg	F	25	77	Washington †	S	16	61
Barcelona	F	22	72	Cologne	R	19	66	Istanbul	F	22	72	Moscow	C	22	72	S'Francisco †	F	14	57	Zurich	S	19	66
Beijing	S	32	90	Copenhagen	S	17	63	Jakarta	R	33	91	Munich	F	21	70	Seoul	R	17	63				
Beirut	S	24	75	Corfu	S	27	81	Johannesburg	S	19	66	Nairobi	C	23	73	Singapore		-	-				
Belfast	C	13	55	Dallas †	S	21	70	Lisbon	F	20	68	Naples	S	31	88	Stockholm	F	15	59				
Belgrade	S	30	86	Dublin	C	15	59	London	R	18	64	Nassau	C	30	86	Strasbourg	R	18	64				
Berlin	S	22	72	Dubrovnik	S	29	84	Los Angeles †	S	17	63	New Delhi	S	37	99	Sydney	C	17	63				
Bermuda	R	21	70	Edinburgh	R	9	48	Luxembourg	Dr	13	55	New York †	C	13	55	Taipei	C	30	86				
Bombay	F	32	90	Faro	S	22	72	Madeira	C	20	68	Nice	T	22	72	Tangier	S	23	73				
Bordeaux	C	18	64	Florence	F	27	81	Madrid	S	21	70	Nicosia	F	25	77	Tel Aviv	S	30	86				

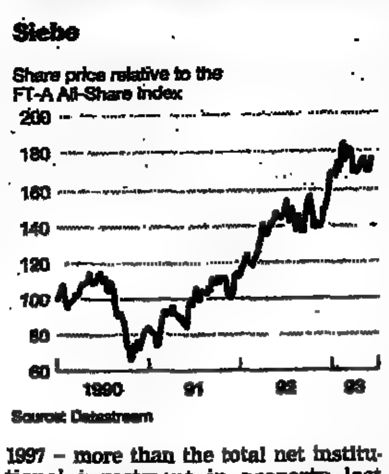
Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle
F-Fair Fg-Fog H-Hail
R-Rain S-Sunny
Sl-Sleet Sn-Snow
T-Thunder

THE LEX COLUMN

BT's big gamble

FT-SE Index: 2863.0 (+13.0)

Siebe



Source: Datastream

BT's chairman Mr Iain Vallance – the John Major of the telecoms industry – has finally crystallised his Big Idea. Global services to multinational companies are to be the way forward, while partnership with MCI will enable BT to participate in the US market without diverting attention from the European home base.

By any measure the stake in MCI is expensive. BT is paying a 20 per cent premium to what was already an all-time high in MCI's shares. It is hard to justify paying $4.3bn for a 20 per cent stake in a company with net assets of $3.2bn. A multiple of 25 times likely 1993 earnings looks pricey when prior to the deal MCI was only expected to grow at 15 per cent over the next two years. Small wonder, then, that MCI is delighted with the deal.

It is also a worry that BT's strategic grip has been questionable in the past and all of its previous international gambits have come to naught. Significant revenues from the joint venture are some years off, and while MCI may invest the money to good effect in a rapidly evolving telecoms market, results are by no means certain. Meanwhile AT&T can be expected to make BT's life as miserable as possible.

Still, BT can afford such largesse. It is some measure of the strength of BT's domestic business that these deals would have to go very badly wrong indeed to have a material impact on the juggernaut's progress. There is just a chance that if it works the alliance will get BT out of its box in the UK. The government, which is trying to sell BT3 at a discount to UK institutions, might wish that it was AT&T that was trying to buy a substantial stake in BT at a 20 per cent premium.

British Land

Few investors have the power to move markets singlehandedly. Mr George Soros is one. The formation of a £500m partnership between his Quantum Fund and British Land was enough to jolt the UK property sector's stock market value into a 6 per cent increase. In terms of sentiment, it is a spectacular move – and an ingenious tool to market British Land's rights issue. Its concrete impact, though, is far from clear. Mr Soros's recent interest in gold and property may be seen as a punt on long term inflation. The more prosaic truth may simply be that both assets are cheap.

The partnership aims to sink up to £1bn in UK property before the end of 1997 – more than the total net institutional investment in property last year. The risk is that its well-flagged intentions will move the market against it. Sellers will hold on for better prices. Yields on prime properties will continue to fall. British Land, which has bought £900m of properties since 1988, certainly has a good record of going against the grain. It may acquire parcels of assets or whole companies from the banks direct. Mr John Ritblat's unusual requirement to buy back at a discount shares in British Land from Quantum certainly provides an incentive to ensure the joint venture succeeds.

This is not to say that the fundamentals in the property market are anything other than tough. Tenant demand will lag general economic recovery. Until employment levels pick up significantly, it is hard to see much improvement in rental values. It is an odd situation when rising share prices provide the main justification for brokers to lift their forecasts for net asset values.

Siebe

Now that Siebe's results are out, it is difficult to see why anyone thought the company might need a rights issue in the short term. Thanks to further rigorous cost cutting, particularly at Foxboro, net cash flow is up 19 per cent. Strip the intangibles from the balance sheet and gearing would be 102 per cent instead of 60, but that matters little with interest cover of 4.3 times and a further drop in the interest charge expected this year. More important is whether Siebe can follow up its efficiency gains with increased volume. That looks a tall order in Europe and Japan, less so in the UK and US.

Without Foxboro's contribution the results would be much less impressive. Turnover elsewhere in the controls division fell markedly and margins were slightly down. Thanks to its operational gearing, Foxboro should again help group results this year; it has room to increase output by 25 per cent without hitting bottlenecks. What that will do for the shares is another matter. Siebe is already at a slight premium to the market and on a yield of less than 3 per cent. Besides, it will need something to sustain momentum in the medium term. That might eventually involve a rights issue, but it will be lucky to find an acquisition as lucrative as Foxboro on which to spend the money.

UK water sector

No wonder Thames felt unable to follow North West Water's example by making an enhanced scrip dividend to fund its international activities. The tax saving would have been equally attractive, but Thames lost money outside the water business last year once the contribution of group treasury and insurance are stripped out. Having spent the proceeds of 1991's convertible bond issue on loss-making engineering companies, Thames can hardly ask shareholders for more. The company is wise to play down its international ambitions until the existing empire is in better shape.

Nor, with gearing of only 31 per cent and relatively modest capital expenditure plans, could Thames argue that it needs fresh equity for the regulated water business. Yorkshire, which has lower gearing now but very large capital expenditure plans in the second half of the decade, has a better case in that regard. Yesterday's convertible bond issue could provide Yorkshire with an injection of equity just as capital expenditure and gearing are starting to climb. Anglian might make a similar case for an enhanced scrip dividend or a convertible bond when its results are announced next week.

With the outcome of the regulatory review so uncertain, though, the companies might be better advised to wait before asking for equity for the basic water business. If the review results in lower than expected capital expenditure – and a fair-minded pricing regime – debt finance might yet suffice.

مكرر من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday June 3 1993

INSIDE

Anglo American stays optimistic

Anglo American, South Africa's largest company, should – according to the pundits – be on the defensive, since Gencor, its rival, said three weeks ago it would "unbundle". However, the company's mood is optimistic, and Mr Julian Ogilvie Thompson, chairman, said: "We're a dynamic group with lots of exciting developments before us." Page 19

Seagram happy at Time Warner

Seagram, one of the world's top drinks groups, was putting US$2bn into Time Warner because it "represents the way the world is going" and would prove a strong long-term investment, said Mr Edgar Bronfman, chairman. Page 19

Going bananas over imports

Caribbean producers have attacked a plan by five Latin American exporters to have a panel of the General Agreement on Tariffs and Trade examine the European Community's new import regime, which begins next month. Caribbean and other producers from the African, Caribbean and Pacific group are seeking protection for their market share in Europe and fear competition from cheaper Latin American fruit. Page 30

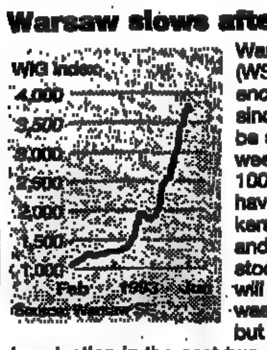
Finnish mining group ahead

Outokumpu, the Finnish mining and metals group, yesterday announced profits before extraordinary items of FM83m ($15.4m) for the first four months of 1993, compared with just FM3m a year earlier and heavy losses in the succeeding eight months. Page 18

UK insurer declines

A decline in fee income from its Lloyd's agencies cut interim pre-tax profits at Sturge Holdings from £2.58m ($3.97m) to £325,000 in the six months to March 31. The fall in fee income was due to a reduction in the amount of insurance capacity managed by Sturge in 1993. Page 24

Warsaw slows after big rise



Warsaw's Stock Exchange (WSE), which has experienced a spectacular rise since Easter, seemed to be slowing down this week. But many of the 100,000 people who now have accounts with brokers enabling them to buy and sell the 18 quoted stocks hope the bonanza will continue. The WSE was set up in April 1991 but caught the popular imagination in the past two months as share prices started to rise. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Berliner Kraft	153.5	+	5.5	CGIP	1080	+	35
[illegible]	358	+	8	Elex	1974	+	94
Herlitz	516.5	+	8.5	Orsan	130	+	9
Metallg'lschaft	302.5	+	10.5	Promodes	833	+	33
Falls				**Falls**			
Asko	640	-	30	Gaumont Soc N	537	-	28
Philips Kommun	540	-	13	Immobanque	730	-	34
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
MCI Comms	54⅞	+	2½	Fujitsu	800	+	35
Falls				Iwatsu Elec	629	+	34
Merck	37	-	[illegible]	Tanabe Seiyaku	1050	+	70
Oxford Hlth Pln	59⅝	-	2⅛	Teikoku Tsushin	890	+	135
Schering Plough	65½	-	1⅛	**Falls**			
Syntex	19¾	-	1¼	[illegible]	977	-	43
US Healthcare	45¼	-	2¾	Toyo Tst & Bkg	1210	-	60

New York prices at 12:30.

LONDON (Pence)							
Rises				Slough Estates	222	+	22
AOT	598	+	28	Taylor Woodrow	112	+	8
Amstrad	35½	+	2½	Vosper Thorn	595	+	22
British Land	344	+	40	**Falls**			
Central Motor	130	+	6	Acorn Computer	95	-	10
Conrad Ritblat	42	+	8	Birkdale	18	-	7
Gt Portland	205	+	22	Cluff Res	34½	-	4½
Harbdore	38	+	4	[illegible]	130	-	6
ICI	673½	+	37½	Kelt Energy	41	-	5
Land Secur	583	+	30	Kleeneze	148	-	18
Leigh Ints	197	+	9	Vaal Reefs	£42	-	4⅜
MEPC	448	+	26	Wood (SW)	76	-	5
Nu-Swift	537	+	17				
Sanderson ME	140	+	8				

Accor seeks hotel deal with Meridien

By Michael Skapinker, Leisure Industries Correspondent

ACCOR, the French hotel, catering and tourism group, is seeking to merge its luxury Sofitel establishments with the Meridien chain, in which Air France has a majority stake.

Accor said yesterday that the French government's privatisation programme and pressure on Air France to get rid of its hotel interests would result in Meridien needing a private sector partner.

Accor added, however, that its current financial state meant it could not afford to pay for the Meridien hotels. Accor's net profits fell 15.5 per cent last year to FFr870m ($159m). Instead, it said, the Sofitel and Meridien hotels could form part of a new luxury hotel company. Accor said it did not yet know how much of the merged group it would end up owning. It said, however, that its preference would be a minority stake of between 35 and 45 per cent.

Accor owns 85 Sofitel hotels, the majority in Europe. There are 58 Meridien hotels, mostly outside Europe. Accor said the two chains would complement each other geographically. As well as their European interests, the merged group would have a presence in the US, Africa and Asia. It said neither chain was big enough on its own to compete internationally with the large hotel groups.

Sofitel is Accor's most luxurious hotel brand. The group owns a range of hotel chains, including Novotel, Ibis and the budget Formule 1 hotels. In 1991, Accor acquired Wagons-Lits, the Belgian travel group, and added its Pullman luxury hotels to the Sofitel chain.

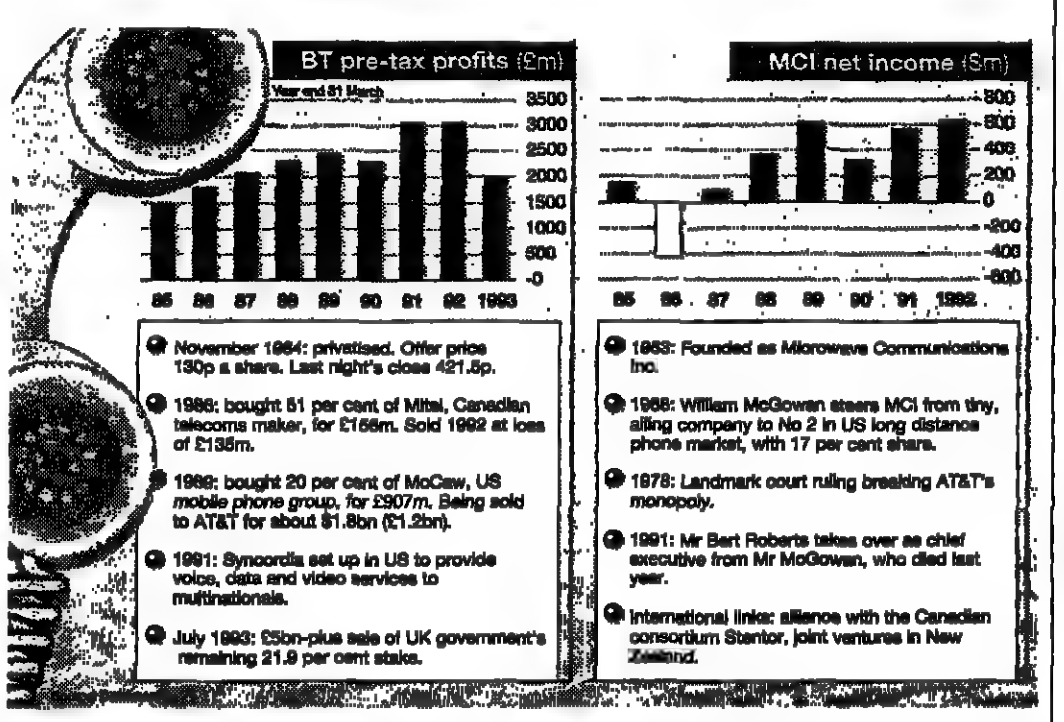
Air France yesterday refused to comment on the Accor proposal. It said others had expressed an interest in the Meridien hotels in the past and that no decision had yet been taken. The discussions with Accor are believed to be at an early stage.

Attempts last year to merge Meridien with the Kempinski hotel chain, in which Lufthansa, the German carrier, had a 42.6 per cent stake, ended in failure. Lufthansa was said to be concerned that a merger with Meridien could threaten standards at the Kempinski hotels. Lufthansa subsequently sold a 23 per cent stake in Kempinski to Advanta Management, a German investment group controlled by Mr Dieter Bock, joint chief executive of Lonhro.

Accor said yesterday that a merger between Sofitel and Meridien would have the advantage of ensuring that the Air France subsidiary remained in French hands.

Andrew Adonis and Nikki Tait analyse the marriage of BT and MCI

Dialling new international numbers



BT has been dating MCI for nearly three years, so news that they are going up the aisle does not come out of the blue. Yet the link-up still marks a significant departure in international telecommunications.

A telling tribute came from the new partnership's arch-competitor: American Telephone & Telegraph, the largest US carrier. "We're pro-competition and there's a good competitor shaping up out there," said Mr John Foster, AT&T's European communications services director.

The partnership comprises two inter-related deals: the establishment of a $1bn joint venture company, 75 per cent owned by BT, to pioneer global services and pool technical and marketing resources; and the purchase of 20 per cent of MCI by BT for $4.3bn, slightly offset by the acquisition of BT's fledgling North American business for $125m.

For BT, the joint venture marks a further stage in the privatised UK carrier's battle with AT&T to become the leading supplier of international voice and data services to the world's 2,500 multinationals. The stake in MCI creates a safe – and, it hopes, profitable – haven for a fair part of BT's growing cash mountain, putting it beyond the grasp of the UK regulator and shareholders calling for larger dividends.

MCI gains international clout from the alliance – much needed in its own battle with AT&T. BT's $4.3bn cash injection also gives it investment opportunities. Mr Bert Roberts, MCI's chief executive, refused to say what they might be, but noted the increased competition in the US local telecoms market with the expansion of cable services.

The BT alliance is a staging post in MCI's remarkable ascent. Starting life in the early-1960s as Microwave Communications (essentially filing licences to build a network of microwave towers which connected 17 US cities), in the 1980s it became David taking on the AT&T Goliath.

Led by the late Mr Bill McGowan, the upstart turned to the courts, using legal manoeuvres to pry away at the AT&T monopoly. Its opportunity came in 1984 – coincidentally the year of BT's privatisation – when "Ma Bell" was broken up, leaving AT&T to run the long distance phone service and the seven "Baby Bells" to handle local phone services.

MCI quickly seized 10 per cent of the long distance market. The going was tough. At the beginning of the decade, AT&T regained part of its lost share, and in 1990 MCI's shares plunged from a peak of $45 to $18.5. But MCI retaliated with a highly successful "Friends and Family" campaign, offering 20 per cent discounts to groups of customers calling each other frequently, and regained its edge.

The alliance comes a week after AT&T launched Worldsource, its strongest bid yet for global telecoms leadership. Although their goal is the same, AT&T and BT/MCI are adopting different approaches. The BT/MCI venture is an exclusive club: "We are not seeking a European partner for this deal at the moment," said Mr Vallance. By contrast, AT&T is working through non-exclusive partnerships, and is anxiously seeking a European partner for its Worldsource launch on the continent next year.

Many of the details of the BT/MCI joint venture – including its name – have still to be agreed. MCI will hold a 24.9 per cent stake and expects to handle the marketing of the jointly branded products in the Americas and the Caribbean. BT, the majority partner, will cover Europe and Asia.

Explaining how this might work, Mr Roberts said that a client like JP Morgan, the US investment bank which recently awarded MCI an $80m "global services" contract, would in future be sold services under the joint venture umbrella. However, the account would still be handled by an MCI team, with the use of additional "remote" accounting personnel.

How does the City view the alliance? With the last tranche of BT shares about to reach the market, telecoms analysts suggested yesterday that it was likely to strengthen the company's appeal to overseas investors, but could weaken it at home.

BT is not getting its chunk of MCI cheap. In the past 18 months MCI's share price has risen from $30 to $52, and BT is offering $64. "There is a feeling that the stake is nothing more than a massive portfolio investment," said one City analyst. "MCI's share performance since early 1992 is incredible. BT could be paying over the odds; on the other hand, it can't any longer be accused of lacking an international strategy."

Much depends upon the viability of BT's global strategy. Targetting the "outsourcing" needs of multinationals is the fashion of the day, and could yield large dividends as demand for high-tec international value-added services grows. However, the number of multinationals is small and servicing them can only be one part of an international strategy.

Furthermore, BT's investment record in North America is not unblemished. Last year it sold its stake in Mitel, the Canadian telecommunications manufacturer, at a loss; it has made little money out of McCaw, the US mobile phone group, which it is about to sell to AT&T; and Syncordia, its US-based global outsourcing subsidiary, has still to make an impact. Mr Iain Vallance, BT chairman, brushed such qualms aside yesterday, pointing to MCI's proven record in capturing market share in the US.

While BT has been courting American partners, Cable and Wireless, BT's UK competitor, has concentrated its energies on less glamorous ventures, such as stakes and franchise contracts in countries with under-developed telecoms systems.

It remains to be seen which strategy yields the larger return. But there can be no doubt, as Mr Vallance put it, that the BT/MCI venture "sets a new pattern to global telecommunications".

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German metals group falls 39%

By Christopher Parkes in Frankfurt

PRE-TAX profits at Metallgesellschaft fell 39 per cent to DM98.3m ($60m) in the six months to March, despite a 17 per cent surge in sales.

The metals-based conglomerate yesterday said that any improvement in the second half would come from continuing cost-cutting.

The group planned to press on with a disinvestment programme, announced earlier this year by Mr Heinz Schimmelbusch, chief executive, who wants to raise DM1bn from such sales by the end of this year.

Although the overall half-year result was unsatisfactory, some sectors, such as engineering services subsidiaries Lurgi and Lentjes, produced better earnings. The BUS environmental services business was hit when one of its important customers went into bankruptcy.

Turnover in the services businesses, accounting for the bulk of group sales, rose 12 per cent to DM9.3bn. Together with a 48 per cent improvement in the industrial division's sales to DM3.3bn, this advance wiped out reductions in raw materials and other sectors, and pushed the group total up to DM13.9bn.

Buderus – specialising in heating, construction products and special steel, the mainstay of the industrial division – matched expectations, with profits from all businesses except steel.

Dynamit Nobel, acquired with Buderus early last year when Metallgesellschaft bought the non-paper divisions of Feldmühle Nobel from Sweden's Stora, suffered from weak demand for plastic products and high-performance ceramics.

Vehicle components maker Kolbenschmidt incurred a loss in the first half as rationalisation measures failed to compensate for the accelerating downturn in automotive markets.

The company said raw materials turned in an unsatisfactory result. Although productivity improved in German smelting plants, they made significant losses as a result of weak non-ferrous metals prices and disadvantageous exchange rates.

Investment, inflated by acquisitions in the first half of 1991-92 but fell 54 per cent to DM1.7bn in the period under review, was focused mainly on Kolbenschmidt, Dynamit Nobel and above all in the Buderus heating business.

Syntex's drug plans set back by FDA recommendations

By Paul Abrahams

SYNTEX, the Californian-based drugs group, was told yesterday by two US Food and Drug Administration committees that they could not recommend that Naprosyn, the company's best-selling prescription product, be switched to over-the-counter status.

The decision shows that the switch of products from prescription status to OTC being attempted by many companies is far from automatic.

Mr Jonathan Gelles, pharmaceuticals analyst at Wertheim Schroder, the New-York based brokers, suggested the market had not absorbed the implications for SmithKline Beecham and Merck & Co, which are trying to switch the anti-ulcer treatments Tagamet and Pepcid.

The decision is a severe blow for Syntex, which had hoped to counter the expiry of Naprosyn's US patents in December by selling the medicine over-the-counter at pharmacies, without the need for a prescription.

Syntex's shares fell $1¼ to $19¾.

The recommendation of the committees, whose advice is nearly always accepted by the FDA, is also a setback to Procter & Gamble, the consumer group and the US's largest OTC company, which formed a marketing alliance with Syntex in 1987.

Mr Gelles said American sales of Syntex's Naprosyn, an anti-inflammatory medicine used to treat arthritis, were $759m, equivalent to 42 per cent of the group's worldwide drugs sales.

He estimated Naprosyn generated more than 75 per cent of group profits last year.

Recent US patent expiries have resulted in sales falling more than 50 per cent during the first year, as cheap generic equivalents gain market share.

Committee members expressed concern about the safety of the product and the high level of dosing proposed by Syntex.

The product has been available OTC in Australia for a decade.

Siebe cost-cutting lifts profts 9% despite recession in main markets

By Andrew Bolger in London

A DRIVE to cut costs enabled Siebe, the UK-based international engineering systems and controls group, to increase profits in spite of continuing recession in nearly all of its main markets.

Pre-tax profits rose 9 per cent to £185.1m ($285m) for the year to April 3, although sales were nearly 1 per cent lower at £1.62bn. Net cash flow increased by £15.2m to £95.2m and gearing, excluding finance leases, fell from 78.8 to 60.4 per cent.

Mr Barrie Stephens, chairman, said the group was well on course to reduce the gearing percentage to the mid-50s by the autumn – a commitment made to shareholders when the group bought Foxboro, the US controls business, in 1990.

Mr Stephens said: "Market shares have increased in all four core businesses. Each division launched a significant number of successful new products during the year."

The group said the final quarter of the period confirmed indications of an improvement in the US and UK.

It also believed that Japanese markets would recover within the next 18 months.

Mr Stephens said: "These encouraging indications, together with Siebe's significantly stronger order book and and strong balance sheet, with cash of £205m, leads the group to look forward with confidence to the future."

Siebe increased its net trading margins across the group from 10.4 to 11.4 per cent, with all segments showing improvement. Productivity increased, with manning reduced by 6.1 per cent, or 1,932 employees.

Sales volumes were down 4.3 per cent in constant currency terms. Overseas business accounted for 91.5 per cent of group sales and 89.2 per cent of group profits.

Group spending on research and development was £65.5m, or 4 per cent of turnover, which was taken through the profit and loss account.

A further £23m of spending on software was capitalised as intangible assets, although that was less than the equivalent depreciation charge of £31m.

Earnings per share rose by 14 per cent to 27.2p from 23.8p. A final dividend of 6.6725p gives a total for the year of 10p, against 9.075p, a rise of 10.2 per cent, which is covered 2.7 times.

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Weaker krona and lower taxes help SSAB rise 42%

By Hugh Carnegy in Stockholm

A WEAKER Swedish krona, lower taxes on inputs and cost cutting helped SSAB, the Swedish steel group, increase pre-tax profits in the first four months of the year by 42 per cent to SKr124m ($17.2m), in spite of lower sales.

SSAB, which was privatised last year, said continued weak demand in western Europe, including recession-hit Sweden, led to a fall in sales in the period to SKr4.17bn from SKr4.35bn.

Mr Leif Gustafsson, the chief executive, told shareholders at yesterday's annual meeting that levels of steel consumption in Sweden were 25 per cent below those of 1989.

He also called on the European Community – which Sweden is applying to join in 1995 – to ensure that support for its steel industry was not used to sustain inefficient overcapacity.

SSAB said its rationalisation programme, combined with lower energy taxes and a cut in Swedish employers' contributions, had led to savings of SKr400m.

With an annual net inflow of foreign currency of SKr3bn before last year's devaluation, the company was also benefiting from the fall in value of the Swedish currency.

It also anticipated further improvement from a 10 per cent increase in steel prices since April 1, repeating an earlier forecast that the company would show a profit over the full year, rebounding from a SKr165m pre-tax loss in 1992.

In the first four months, a SKr34m loss in the steel plate division was offset by a swing in the products division from a SKr19m loss to a SKr17m profit, and a sharp reduction in losses in the Tibnor trading unit from a deficit of SKr53m to a deficit of SKr7m.

● Postipankki, the Finnish bank, reported a reduced operating loss for four months ended April, Reuter adds from Helsinki. The loss was FM101m ($18.8m), compared with FM293m for the same period a year ago.

Zurich Insurance forecasts good year

By Ian Rodger in Zurich

ZURICH Insurance, one of the world's largest insurance groups, says it expects another good overall result this year, with premium growth similar to last year's 9.9 per cent rise to SFr21.5bn ($14.60bn).

Mr Rolf Hüppi, chief executive, said results in the first half looked good.

He was "very happy" with Municipal Mutual Insurance (MMI), the troubled UK insurer of local authorities, whose ongoing business Zurich acquired in March.

He said there had been no unpleasant surprises at MMI, and that he was "very impressed" with the MMI staff. The challenge was now to integrate the administration of MMI with that of other Zurich businesses in the UK.

Although the group was interested in making other acquisitions in Europe, Mr Hüppi said there was no hurry. Zurich was already strong in most European countries, with the exception of Germany. He was confident that prices of potential acquisitions in that country would drop in the next two years.

Mr Rolf Hänggi, deputy chief executive, said the group expected a good investment result this year after last year's 10.8 per cent rise to SFr4.10bn. Yields would not rise, but income would grow in line with the increase in investments.

Last year, bonds and loans accounted for 60.4 per cent of the group's SFr65.3bn portfolio; equities 14.8 per; real estate 12.3 per cent; mortgages 7.5 per cent; and short-term investments 3.4 per cent.

The group's policy this year was to expand investment in equities, particularly in countries where these do not yet represent 15 per cent of the portfolio.

"For fixed interest rate investments, we will tend to select shorter maturities in US dollars and related currencies, although we still prefer longer terms in Europe," Mr Hänggi said.

Blenheim Group in £75.8m issue

By Angus Foster in London

BLENHEIM Group, the acquisitive UK-based exhibition organiser, yesterday launched a £75.8m ($116.7m) convertible preference share issue and said the money raised would be used to finance unspecified acquisitions in the US and continental Europe.

Mr Neville Buch, chairman, said the issue would allow Blenheim to expand without its interest cover falling below the company's self-imposed floor of seven times: "America is coming out of recession and there are going to be opportunities to buy," he said.

However, the issue was poorly received on the London stock exchange, where Blenheim's shares fell 29p to 513p, a low for the year, after touching 493p on low volume.

Some analysts described the issue as opportunistic.

Following a change in Blenheim's financial year-end, and other accounting changes, there is concern about the quality of the company's underlying earnings. Yesterday's issue, and the planned expansion, will further cloud analysts' forecasts.

The share-price fall also reflected an effective 1994 profits downgrade from Blenheim's house broker, BZW. The broker had forecast profits of £54m but reduced the estimate to £49m to reflect the slowdown in Europe. Following yesterday's share issue, and an assumed return on the money raised, the forecast has been restored to £55m.

Under the terms of the issue, Blenheim is issuing 75.8m of 6.4 per cent convertible cumulative preference shares with a conversion price of 610p. Shareholders can subscribe for the shares at the issue price of 100p on the basis of nine preference shares for every 11 ordinary shares held.

Blenheim chairman Neville Buch: 'opportunities in US'

Compagnie Générale des Eaux, Blenheim's largest shareholder with 14 per cent, will subscribe for half its entitlement, while the company's directors, who hold 27 per cent, will not subscribe. Mr Buch said the issue was structured in this way, rather than as a conventional rights issue, in order to attract continental European investors.

BZW, Robert Fleming and Crédit Lyonnais underwrote the placing.

Blenheim also said the board expected to announce dividends this year of no less than 10.25p, an increase of about 14 per cent.

Blenheim has net borrowings of £58m, most of which is in the form of 8.69 per cent senior notes due 1999. Money raised from the preference share issue will be held on deposit until acquisitions are made.

Sharp increase at Outokumpu

By Hugh Carnegy

OUTOKUMPU, the Finnish mining and metals group, yesterday announced profits before extraordinary items of FM83m ($15.4m) for the first four months of 1993, compared with just FM3m a year earlier and heavy losses in the succeeding eight months.

Sales were ahead by 25 per cent at FM5.5bn (FM4.4bn), while operating income rose to FM477m from FM288m.

A big factor in the recovery was the steep depreciation late last year of the Finnish markka. About half of Outokumpu's output is invoiced in markkas – including all production from the profitable stainless steel division, which saw sales increase by almost a third, to FM1.26bn.

The base metals, copper products and technology divisions were profitable at the operating level and all showed an increase in sales. However, although it forecast maintained profitability throughout this year, after two successive years of losses, Outokumpu said growth in metals demand and prices remained low.

Outokumpu also said poor market conditions had forced it to postpone the planned sale of its US chemicals subsidiary, OM Group. The sale, by a public offering in the US, was planned to raise up to $170m.

However, the group, 57.5 per cent owned by the Finnish government, is going ahead with its proposed FM527m rights issue. The funds will help pay for an ambitious FM1.8bn investment to modernise Outokumpu's copper smelter and nickel production line in Harjavalta and the copper refinery in Pori.

ISS may seek New York listing

By Hilary Barnes in Copenhagen

ISS, the Danish cleaning and building maintenance group, may seek a Wall Street listing following its $93.5m acquisition of National Cleaning of the US.

Mr Poul Andreassen, chief executive, said the acquisition would turn ISS into one of the biggest foreign employers in the US, with some 50,000 on the payroll out of ISS' worldwide total of almost 140,000.

ISS is buying National Cleaning from the Nu-Swift group of the UK. It will merge the group with its existing North American business.

The acquisition will increase group sales in the current year by 15 to 20 per and pre-tax profits by some 10 per cent. Group sales last year totalled DKr11.35bn ($1.85bn) and profit was DKr377m.

The purchase is being financed with bank borrowings, which Mr Andreassen described as "not expensive" in the US, where bank interest rates stand at 4 per cent.

The reason for considering a New York Stock Exchange listing was to give the group an American presence in the equity market, Mr Andreassen said. He added that ISS had no immediate plans to raise new funds on Wall Street.

The group's shares are currently listed in Copenhagen and London. National Cleaning Group has about 20,000 employees in the US and sales of about $490m. The deal, which will take ISS's North American sales to $950m, would give the group a leading position in the US cleaning market and the market for the maintenance of technical installations in buildings, ISS said.

Total sees static half

TOTAL, the French oil group, said yesterday that poor economic conditions continued to weigh heavily on profits, AP-DJ reports from Paris.

It said data for the first four months indicated that 1993 first-half operating profit would be at or slightly below the FFr3.4bn ($632.5m) of the 1992 first half.

The company said exploration and production activities showed comparable results to 1992, reflecting relative stability in volumes produced and in price.

Refining and distribution also showed comparable results, while refining margins were showing an upward tendency, it said.

For 1992, Total's net profit was more than halved to FFr2.85bn, reflecting a weaker dollar and refining margins plus and poor demand.

Yorkshire Water raises £60.4m

By Angus Foster

YORKSHIRE Water, the Leeds-based water and sewage company, yesterday raised £60.4m ($93m) through a senior convertible bond issue, which it said could fund its regulated or non-core businesses.

All water companies are assessing their funding needs as borrowings mount because of heavy capital expenditure programmes. Last week North West Water, another of the ten privatised companies, announced it was saving £60m to invest in its non-core business through an enhanced scrip dividend alternative.

Yorkshire and Thames Water, both of which announced final results yesterday, said they would not offer enhanced scrip schemes.

Yorkshire announced pre-tax profits increased 11.9 per cent from £123.9m to £138.6m in the year to March 31.

Profits were lifted by a £4.4m gain on the establishment of a joint venture water engineering company. At the interim stage profits were 12 per cent higher at £71.8m.

Turnover increased 9.2 per cent to £481.6m due to average price increases of 7 per cent. Squeezed operating costs led to a 19 per cent increase in operating profits of £146.8m.

The company's unregulated businesses, including clinical waste disposal and environmental services, made operating profits of £2.6m, including property profits of £1m. Mr Malcolm Batty, group finance director said the division broke even after interest cost.

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Orkla acquires Swedish food group

By Karen Fossli in Oslo

ORKLA, the Norwegian industrial group, is to acquire BOB Industrier, part of Sweden's ICA Handlarnas group. Analysts said the deal could be worth between NKr400m and NKr600m ($59m-$88m).

The takeover is being made through Nora, Orkla's food products arm. BOB has sales of SKr700m and pre-tax profits of around SKr40m. Its product areas – jam, juice, ready-meals and desserts – overlap with parts of Nora's product range and are sold through ICA retailers.

Nora's sales run at around NKr4bn and 1992 operating profits were NKr304m. Orkla's 1992 sales totalled NKr16.8bn, of which NKr13bn was accounted for by sales of branded consumer goods. ICA is Sweden's largest retail-wholesale group with a 35 per cent domestic market share.

"Nora is a long-term industrial investor which will provide BOB with the opportunity to further develop its activities ... in Scandinavia," said Mr Roland Fahlin, ICA group chief executive.

Borregaard Industries, another Orkla unit, is to acquire the lignin business of Finland's Metsä-Serla group. Financial details were not disclosed.

Lignin is derived from sulphite pulp production and is processed into a wide-range of binding and dispersing agents.

Metsä-Serla's lignin business has annual sales of around NKr60m. The acquisition will lift Borregaard sales to NKr850m.

Correction

Kobe Steel

KOBE STEEL plans to cut its workforce by 1,900 over the next three years, and intends to transfer 3,000 employees to group companies. This was not made clear in yesterday's paper.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.00	28.65	28.70
0100	19.00	18.64	18.64
0130	18.51	23.66	26.93
0200	18.61	29.47	32.63
0230	19.00	29.47	32.52
0300	19.00	19.50	19.50
0330	19.00	19.00	19.00
0400	19.00	18.67	18.67
0430	18.51	18.67	18.67
0500	18.61	18.54	18.54
0530	20.49	18.54	18.54
0600	33.00	18.51	18.51
0630	33.00	18.62	18.62
0700	20.49	25.34	28.24
0730	25.43	26.87	28.68
0800	25.45	25.37	26.08
0830	25.45	26.93	28.66
0900	28.08	28.14	30.94
0930	33.00	28.15	30.96
1000	33.00	28.16	30.97
1030	33.00	28.15	30.97
1100	33.00	28.16	30.98
1130	33.00	28.19	31.02
1200	27.11	28.19	31.02
1230	27.11	28.17	30.99
1300	27.11	27.30	30.05
1330	25.45	27.25	29.97
1400	25.49	35.02	37.93
1430	25.00	35.01	37.89
1500	25.00	35.01	37.87
1530	25.00	35.01	37.93
1600	25.00	35.02	37.93
1630	33.00	35.03	37.94
1700	33.00	35.03	37.99
1730	33.00	35.02	37.96
1800	25.00	25.35	28.01
1830	25.00	25.34	28.01
1900	25.00	25.20	27.87
1930	25.00	25.20	27.88
2000	25.00	19.07	19.07
2030	19.00	19.00	19.00
2100	23.87	25.20	27.88
2130	25.00	37.10	40.12
2200	33.00	37.10	40.14
2230	33.00	25.08	27.74
2300	25.50	24.50	27.16
2330	23.58	24.48	27.14
2400	22.20	24.28	26.97

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. [illegible]

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Seagram chiefs outline Time Warner strategy

By Robert Gibbens in Montreal

SEAGRAM, one of the world's top drinks groups, was putting US$2bn into Time Warner because it "represents the way the world is going" and would prove a strong long-term investment, Mr Edgar Bronfman, chairman, said.

The group had looked in vain for a important beverage investment, Mr Bronfman told the annual meeting. However, after considering several alternatives outside beverages, it had bought 5.8 per cent of Time Warner, the international entertainment and multi-media giant.

Seagram will raise this to 15 per cent through market purchases of Time Warner stock for a total investment of around US$2bn.

"It was my son Edgar's choice and eventually my brother Charles and I came around. We are fully supportive of Time Warner's new leadership and we feel management will accept our contribution in future, as did Du Pont a decade ago," Mr Bronfman said.

He said his son Edgar would later join the Time Warner board. "We think Time Warner has rising and adequate cashflow to handle its debt."

"Seagram will buy Time Warner stock as the market presents opportunities and I don't see any need to go any further," he said.

Mr Bronfman said Seagram had "no difficulty" with US West, the US telecommunications company, investing in Time Warner.

"We think [Time Warner] has tremendous growth potential in the entertainment and communications fields, and that our choice is the best we could make for all Seagram shareholders."

Mr Edgar Bronfman Jr, president, said Seagram was moving aggressively to capture a bigger share of the North American, European and developing markets for spirits and wines.

He told the meeting Seagram was concentrating heavily on new brands and extensions of existing brands. "We are going after emerging markets where currencies are stabilising and import restrictions are being lifted," he said.

It was aiming at 52m Ukranians, 45m Argentines and Chileans and 1bn Chinese as future markets, he said. Seagram was building firm foundations to distribute in all these key future markets.

Tropicana held just over 3 per cent of the world market for juice beverages, and it aimed to be the world brand leader, he added.

Seagram reported net profit of US$162m, or 43 cents a share, for the first quarter ended April 30, up 6 per cent from $153m, or 41 cents a share, a year earlier (before accounting changes).

Tropicana and North American spirits and wine operations did well, but the recession in Europe, Japan and Brazil more than offset this.

Operating income overall was $148m, against $163m. Profit benefited from lower interest expense and a bigger contribution from its 26 per cent holding in Du Pont, the US chemicals giant.

First-quarter beverage sales and other income was $1.2bn, against $1.24bn, and dividend income from Du Pont was $72m, against $69m.

Carolco agrees to $112.5m infusion

By Patrick Harverson in New York

CAROLCO, the cash-strapped independent Hollywood film studio, has agreed to an infusion of $112.5m from a group of investors including Metro-Goldwyn-Mayer, another struggling film producer.

Carolco hopes that the agreement, announced yesterday, will ensure its survival asone of the film industry'spremier film production-studios.

Under the deal, which requires the approval of Carolco's shareholders, MGM will acquire $30m of convertible notes, and the other investors – Canal Plus of France, Pioneer of Japan, and Rizzoli of Italy – will buy $82.5m of a new class of preferred stock.

The agreement will leave Canal Plus, Pioneer, and Rizzoli with 63 per cent of the voting power of the company and MGM with 18 per cent.

The investors also agreed to satisfy part of a $32.2m loan made to Carolco in March 1992, in exchange for the company's 51.7 per cent stake in Live Entertainment, the music and video retailer.

Although Carolco has scored big box office successes with such films as Terminator 2 and Basic Instinct, rising debts, incurred partly because of lavish spending on big-budget films, have threatened to overwhelm it. Only yesterday Carolco said it had defaulted on three different tranches of debt.

Last month the studio reported a loss of $88m for 1992, down from the $265m loss incurred in 1991.

Yesterday's financing agreement comes five weeks after Tele-Communications, the big US cable company, signed a letter of intent to invest $90m in Carolco in return for the exclusive rights to show the studio's movies on pay-per-view television.

News of the deal did not appear to impress the stockmarkets, where Carolco shares held steady at $1¼ on the New York Stock Exchange.

● Crédit Lyonnais, the French bank which owns MGM, announced yesterday that Mr Dennis Stanfill had stepped down as co-chief executive of the Hollywood studio.

He will stay on as a senior adviser to Crédit Lyonnais, helping the bank run its entertainment and cinema interests.

The move, which follows reports in the Hollywood trade press last week that Mr Stanfill was leaving MGM because of management differences with Crédit Lyonnais, leaves Mr Alan Ladd in sole charge of the studio.

Anglo American promotes its variety show

Philip Gawith examines the South African group's optimistic approach to diversity

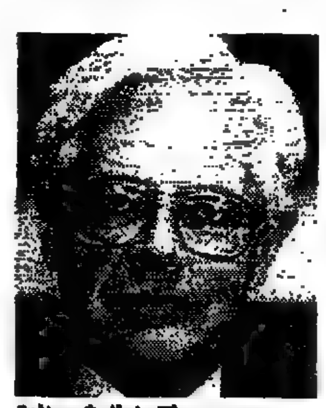
According to the pundits, Anglo American, South Africa's largest company, should be on the defensive.

Three weeks ago Gencor, its rival and the country's next largest mining house, announced amid much applause it would "unbundle". Anglo, meanwhile, was criticised for its cautious response and commentators agreed that, more than ever, its *raison d'être* in its current shape, should be called into question.

However, judging by Anglo's results presentation on Tuesday – held in its smart new office building at 55 Marshall Street, next door to its headquarters in Johannesburg's business district – the company's mood is optimistic.

The group was robust about the benefits of diversity – its thinly disguised code for saying it does not agree with unbundling – and Mr Julian Ogilvie Thompson, chairman, was bullish about prospects saying: "We're a dynamic group with lots of exciting developments before us."

It is notable that many analysts are happy now to go along with Mr Ogilvie Thompson's judgments. Mr Dave Russell, mining analyst at Irish & Menell Rosenberg, the South African stockbroking firm, said: "I came away feeling this is a sound company. They have top quality assets, top quality people and they're doing the right thing by diversifying geographically and product-wise."



Julian Ogilvie Thompson: diversity underpins projects

Analysts not only believe that Anglo is in sound shape with good prospects. They also applaud what they describe as a very noticeable trend towards more open communications with the investment community.

Considering the torrent of invective that descended on Anglo last August when its associate company De Beers reported its half-year results, this is a remarkable shift in sentiment. It is also a considerable victory for those in the group who have favoured a more open approach.

After the De Beers debacle, when the diamond company announced an unexpected reversal of its prospects and forecast a dividend cut, there was no shortage of old-timers in the group crowing: "We told you so." Now, in the words of one insider: "That debate is pretty well resolved. If we're not yet at the level of enthusiasm, we're at least committed to [openness]."

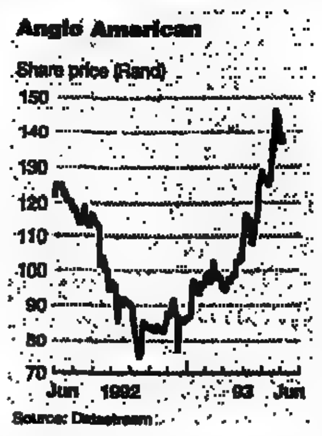
Nevertheless, this week's results announcement was clear evidence that Anglo has much to learn in presentation. Although full of information, it remained wooden in delivery and too long. Ironically, the outstanding exception was Mr Graham Boustred, the group's industrial doyen, who discarded prepared scripts to speak with humour and expertise about a wide range of industrial projects.

Though the word "unbundling" was not used in nearly 100 minutes, the entire presentation was structured around a rebuttal of the concept. Or, to state it positively as Anglo did, in defence of the merits of diversity – both in terms of business and geography.

According to Mr Ogilvie Thompson, diversity underpinned not only Anglo's results – with attributable profits falling by a less than expected 8 per cent to R1.53bn ($481m) in the year to March – but also six projects in which it is involved.

Clearly, Anglo has taken the view that it cannot win the unbundling battle with words alone. It needs to demonstrate the vitality of its group structure by undertaking innovative projects, both at home and abroad.

Certainly the six projects at issue – domestically, the Moab extension to the Vaal Reefs gold mine, the Namakwa heavy mineral sands scheme, and the Columbus stainless steel project with, internationally, the Mantos Blancos copper developments in South America, the Del Monte/Royal food group in Europe and the Zebra high energy battery project in Europe – are an impressive attempt to prove Anglo's case.



Mantos Blancos and Columbus are regarded as gems, Namakwa as good while Moab depends on the gold price.

Del Monte is clearly a risky diversification for a group that has never been close to the consumer, but Mr Boustred says he is "extremely optimistic" and that is enough recommendation for most, given his considerable reputation.

The Zebra battery scheme, to make high energy batteries that could power electric cars, is the sort of long term, capital intensive development project which only those with deep pockets can contemplate – with the promise of considerable reward.

Insiders say that the optimistic mood in the group is a function of having all these projects. Spirits have also been improved by the remarkable resurgence in the share price, off a recent peak of R146, but nearly double last October's low of R74.50.

This is mostly a function of investors buying Anglo in order to have exposure to gold, an explanation that suits Anglo well as it again underlines the case for diversity.

Though Anglo takes comfort from the view of the market, insiders are anxious to stress they do not reject all the ideas embraced in the unbundling concept. While they reject the argument that the "dead hand of the centre" stifles initiative and efficiency, they claim to be seriously committed to black economic empowerment.

Also, the group has not set its face against restructuring, and believes this would be a natural adjunct if South Africa lifts exchange controls.

The big question, though, is to what extent a new government in South Africa would try to force an unbundling. Here Anglo can only say that it has repeatedly made clear its view that it would be economic folly to take the big stick to the country's large groups.

That, however, is tomorrow's issue.

Apple's claim on copyright dismissed

By Louise Kehoe in San Francisco

APPLE Computer's $5.5bn copyright infringement suit against Microsoft and Hewlett-Packard was dismissed by a federal judge in San Francisco. The case was the biggest copyright infringement claim in the history of the computer industry.

Apple agreed not to contest a motion for dismissal of the case filed by Microsoft and HP but said it intended to take the case to the appeals court.

In its suit, filed five years ago, Apple charged that Microsoft's "Windows" program, which has since become a top seller used on millions of personal computers, infringes copyrights on Apple's Macintosh programs. Apple also charged that an HP program, "New Wave", infringes Macintosh copyrights.

The case has been closely watched because the outcome could have a broad impact in the computer industry, limiting the publication of "look-alike" programs and programs that incorporate features of existing products.

The case was also seen as a threat to the development of easy-to-use graphical interface programs for IBM-compatible PCs.

However, in a series of interim rulings the court rejected most of Apple's claims. In particular, the judge dismissed Apple Computer's contention that the overall "look and feel" of computer displays should be considered in determining whether its copyrights were infringed.

Instead, Judge Vaughn Walker compared specific elements of the displays and ruled that most were not original to Apple or were covered by a prior licensing agreement between Apple and Microsoft. Only a handful of display elements remained in dispute prior to the latest ruling.

Apple said it chose not to contest the Microsoft, HP motion for dismissal of the case "in the interests of judicial economy". Rather than go to trial on the few remaining issues in the case, Apple plans to reopen the case in the appeals court.

Microsoft said, however, that having won the case in the trial court it would "vigorously defend this result through any appeal".

Swedish insurer back in the black

By Hugh Carnegy in Stockholm

TRYGG-HANSA SPP, the leading Swedish insurance group, said yesterday it had returned to profit in the first four months of this year.

This follows a plunge into heavy losses in 1992 through subsidiaries which were embroiled in the country's severe banking crisis.

Mr Björn Sprängere, told shareholders at the company's annual meeting the group had shown an operating profit of SKr550m ($56m) in the first four months.

It did not report figures for the same period in 1992, but the profit follows a full-year loss in 1992 of SKr6.2bn.

The bulk of last year's losses were due to the SKr6bn cost of writing down to zero the value of Trygg's holdings in Gota AB, the holding company for the collapsed Gotabank, and two collapsed credit insurers, Svenska Kredit and International Credit.

Mr Sprängere said Trygg was also pulling out of reinsurance activities, which caused losses last year of several hundred million kroner.

He told shareholders the group was concentrating on its Swedish retail core business and international industrial insurance, including the profitable Home Holdings group in the US.

Trygg said its solvency margin – the ratio of shareholders assets to premiums – now stood at 132 per cent, compared with as low as 110 per cent at the height of its crisis last year.

Generali uses reserves to buy two companies

By Haig Simonian in Milan

GENERALI, Italy's biggest insurance company, is dipping into its cash reserves to reinforce its dominant position in the domestic market by buying two small insurance companies.

The group is purchasing 50 per cent of Risparmio Vita and majority control of Risparmio Assicurazioni, two subsidiaries of Turin's big city savings bank. The two companies have premium income of L19bn ($13m) and L22bn respectively.

The acquisitions, part of a closer co-operation between the insurer and the bank in financial services, follow last month's increase in Generali's stake in its growing Hungarian operation.

EA Generali, the group's Vienna-based subsidiary, raised its stake in Hungary's Providencia Versicherung to 75.1 per cent from 56 per cent.

Providencia, created in 1990, is Hungary's third biggest insurer, with 650,000 customers and total premium income of Ft5.6bn ($63m) in 1992.

Premiums are forecast to rise to Ft8bn this year. The Generali group is already active in Hungary through its majority-owned Generali Budapest subsidiary.

Providencia made a net loss of Ft495m in 1992 as a result of costs associated with building up a branch network. The company hopes to break even by 1995.

Telebras prepares to raise $500m in ADRs

By Bill Hinchberger in Sao Paulo

TELEBRAS, Brazil's state-owned telecommunications holding company, is preparing to raise $500m in American depositary receipts later this year.

The company said that before launching the ADRs it would make an unspecified sum of additional shares available for trading on the US over-the-counter market. Telebras shares began trading on the over-the-counter market last year.

The projected $500m in new equity will probably not be placed on the market in a single operation, said Mr Joaquim Barao de Assumpcao, assistant finance director.

The company sent an official statement to the local stock markets to clarify a report in the financial daily Gazeta Mercantil that made the offering of $500m appear imminent.

The ADR operation is awaiting approval by the US Securities and Exchange Commission which is seeking accounting adjustments to the company's balance sheet to bring its figures into line with US standards.

Telebras is looking for sources of new capital to fund its investment goal of $3.5bn this year. It plans to increase the number of telephone lines in the country from 10.5m to 11.7m this year, with a goal of 15m by 1995.

If Telebras raises new capital through an ADR operation, it will become the second Brazilian company to make a new equity placement abroad. In May 1992, pulp producer Aracruz raised $132.5m in new equity on the American market.

US insurer buys life business of Aetna UK

By Nikki Tait in New York

NEW YORK LIFE, the large US life company which moved into the UK insurance market when it acquired the Windsor Life group in 1989, is buying the life insurance operations of Aetna UK, part of another big US insurance combine.

The operations which are changing hands comprise a mixture of life, health and disability income insurance, and take in the second-largest provider of employee benefits in the UK.

No purchase price for the deal was disclosed, but assets supporting the operations total about $400m.

The transaction is dependent on UK regulatory approvals.

Aetna UK is part of Aetna Life and Casualty, the large US composite insurer.

Aetna said it would continue to run its remaining UK operations, which encompass reinsurance, property-casualty policies and investment management.

The deal is the second acquisition by Windsor Life since it came under New York Life's control. In 1992, it purchased Gresham Life Assurance.

The latest transaction – which, according to New York Life, "gives entry to the very important employee benefits market in Britain" – should take total assets under management at Windsor to around $1.5bn.

Allstate close to pricing offer

ALLSTATE, the second largest car and home insurer in the US and wholly-owned by the Sears, Roebuck group, is rumoured to be close to pricing its initial public offering of shares, writes Nikki Tait.

The sale of a 20 per cent stake in Allstate to outside investors is expected to represent the largest flotation the US has ever seen, raising around $2bn.

Mr Edward Brennan, Sears' chairman, told shareholders at the annual meeting that the issue would be priced in June, and Allstate has declined to be more specific about timing.

Sears first announced plans to spin off a minority stake in Allstate last year, as part of its general strategy of pulling out of financial services and concentrating on its core retail business.

Newbridge Networks turns in record profits

By Robert Gibbens in Montreal

NEWBRIDGE NETWORKS, an Ottawa-based data system equipment maker, posted record sales and profit for the year ended April 30. It attributed the rise mainly to large orders from international telephone companies.

Sales jumped 70 per cent to C$307m (US$241.7m), while profit advanced to C$60m, or C$1.63 a share, well ahead of the C$9.7m, or 28 cents a share, reported a year earlier.

Fourth-quarter profit rose to C$25.5m, or 65 cents, compared with C$4.7m, or 13 cents, a year earlier, on revenue of C$100m, against C$52m.

Eight-year-old Newbridge, founded by chairman Terry Matthews to specialise in multiplexers for data and computer networks, said its order book had risen steadily over eight consecutive quarters.

Newbridge shares recently hit a new high of C$90.75, up from a 52-week low of C$17⅞.

● Laurentian Bank of Canada, the fastest-growing unit in the Laurentian financial services group, saw higher provisions reduce second-quarter net profit, to C$8.3m, or 38 cents a share, from C$9m, or 47 cents, a year earlier.

An acquisition pushed assets up 17 per cent to C$9.7bn since October 31 1992. The Montreal-based bank is still seeking to expand its 237-branch network in Quebec and Ontario.

● Univar, Canada's second biggest food distributor, says first-quarter sales rose 3.6 per cent to C$1.4bn, mainly because of a 1992 acquisition in Quebec.

Margins, however, continued to be tight and net profit slipped to C$3.5m, or 2 cents a share, against C$4.9m, or 5 cents, a year earlier.

INTL. COMPANIES

Dentsu battered by downturn in advertising sector

By Emiko Terazono in Tokyo

DENTSU, Japan's largest advertising agency, yesterday unveiled a sharp fall in profits. It blamed the decline on reduced spending on advertising by its clients, who were hit by the country's economic downturn.

Advertising spending last year declined for the first time since 1965.

Non-consolidated pre-tax profits for the year to the end of March plunged 53.9 per cent to Y15.7bn ($142.72m) against last year's results. It was Dentsu's second consecutive year of falling profits.

Operating revenues fell 9.4 per cent to Y1,165.8bn, the first fall since 1966. Net profits plummeted 59.8 per cent to Y6.2bn.

Dentsu, which is unlisted, said newspaper advertising dropped 14.5 per cent, as sectors of the economy which rely on newspaper advertisments – property, finance, automotive, and consumer electronics – were hit by the bursting of the 1980s economic bubble.

Revenue from television advertising, which accounts for about 45 per cent of Dentsu's total, fell 5.7 per cent. Industries which use television advertising, including cosmetics and foods, were generally unscathed by the recession.

Dentsu's sales in the Tokyo area, which account for nearly 70 per cent of its total, declined 11.1 per cent.

For the year ending next March 31, Dentsu forecasts a 3 per cent increase in turnover, to Y1,200bn.

Japanese trust bank to cut staff by 10%

By Robert Thomson in Tokyo

MITSUBISHI Trust and Banking, the Japanese trust bank, plans to cut its workforce of 7,200 by 10 per cent over the next three years in an attempt to improve core profitability.

The country's seven trust banks, which face mounting problems with property-related lending, have just reported an average 26.7 per cent fall in pre-tax profits for the year ended in March.

Mitsubishi Trust said the bank wanted to cut administrative costs by about 10 per cent over the next three years, when trust bank profits are likely to be under pressure unless there is a sudden turnround in the ailing property market.

However, Yasuda Trust and Banking said yesterday the banks had not yet begun to include interest due on loans from their trust account in calculating interest revenue, and insisted that its most recent profit statement included only interest already received.

For the first time, the banks announced their non-performing loans, which ranged from Y73.1bn ($664.5m) at Nippon Trust Bank to Y561.6bn at Mitsubishi Trust. However these figures do not necessarily provide an accurate measure of the relative pressures on the institutions.

Mitsubishi Trust is regarded as one of the stronger trust banks, and the Japanese definition of non-performing loans gives banks a lot of flexibility in calculating their totals.

Keppel Bank launches public share offering

KEPPEL Bank of Singapore, owned by diversified marine conglomerate Keppel Corp, will today offer 100m new shares and 20m vendor shares for public subscription. The offer will come in three tranches at S$2.40 a share or more, Reuter reports from Singapore.

The offer, which closes on June 17, will enable the bank to be listed on the main board of the local bourse.

Of 120m shares, 42m will be issued at a fixed price of S$2.40 each, while another 42m shares will be sold though a tender with a minimum price of S$2.50.

The remaining 36m shares have been privately placed with three financial agencies, at S$2.50 per share, it said.

Twenty million shares have been taken up by the Investment Company of the People's Republic of China (Singapore); 10m by Malaysia's Southern Bank; and the remaining 6m by American International Assurance. "For the fixed-price tranche, each applicant may apply for up to 10,000 shares," Keppel Bank said.

The proceeds will be used to support the bank's operations in Singapore and the rest of South East Asia. "We have already applied for a branch licence in Vietnam and will be applying for a representative office in China," Mr Benedict Kwek, Keppel Bank's president, said.

The issue is lead-managed by Keppel Bank and co-managed by Schroder International Merchant Bankers. The issue is underwritten by a syndicate of 17 underwriters.

The bank's existing S$1 shares total 331m. As at December 31 1992, shareholders funds were S$486m (US$303.7m) and those of the group, S$514m.

Keppel Bank's net profits rose 20.6 per cent to S$22.8m for 1992 against the previous year, while operating income climbed 42.8 per cent to S$105.6m.

INTERNATIONAL CAPITAL MARKETS

Wishful thinking over German interest rates lifts prices

By Peter John in London and Patrick Harverson in New York

EUROPEAN government bond markets regained some of their previous losses to close higher on the day, helped by some wishful thinking that the Bundesbank might ease interest rates as early as today.

German bond prices picked up sharply towards the close of dealing in London. The recovery was driven by short-covering of positions as some dealers decided to double-guess the Bundesbank ahead of its meeting today.

GOVERNMENT BONDS

The central bank has been signalling for some time that it is reluctant to lower interest rates because of the poor money supply figures recently.

However, there was a perverse argument taken by some in the market that the signals have been intentionally misleading.

The June bund futures contract opened down at 93.91 and fell sharply in the morning to 93.58 as the Bundesbank's money market repo drained DM5.5bn from the banking system and left the interest rate at 7.6 per cent. This was compounded by some stop-loss selling when the contract touched 93.88.

A short-squeeze forced a reversal and the June contract climbed to finish 21 basis points higher than Tuesday's close at 94.06 and 15 points higher on the day, with heavy turnover of nearly 79,000 contracts. The September contract was also heavily traded as dealers began to roll over into the far month.

■ THE June bond future on the French Matif exchange was dragged up by the performance of the bund market to close 8 basis points stronger at 116.70.

■ THE prospect of a further base rate cut in the UK and a feeling that the bond market had been oversold helped to lift gilt prices yesterday, with the long end of the market gaining over half a point.

Figures released by the Bank of England yesterday showed that foreign investors, who have been keen buyers of gilts over the past three months, took up £1.59bn in April, the highest monthly investment for more than a year.

Buyers have been taking advantage of the relative weakness of sterling and one economist argued yesterday that the Bank would be happy for the pound to hit DM2.60 before it intervened.

■ US Treasuries traded slightly lower across the board yesterday morning in the wake of a stronger-than-expected April home sales report.

By midday, the benchmark 30-year government bond was down 1/8 at 103, yielding 6.883 per cent. At the short end of the market, the two-year note was down 1/32 at at 99 31/32, to yield 4.191 per cent.

After Tuesday's big rally, which was sparked by a sharp decline in gold prices, the market settled down yesterday morning.

Dealers reported that activity was unusually light, with many players choosing to digest their gains and wait on the sidelines until tomorrow's all-important May employment report.

Yesterday's economic figures were mixed. Although April's index of leading economic indicators rose only 0.1 per cent, below market expectations, investors chose instead to focus on the day's bearish news, which came in the form of a 22.7 per cent jump in April home sales.

The surprisingly strong home sales number led to sporadic, but not particularly substantial, selling mid-morning.

■ IN Tokyo, the strength of the yen and consequent high price of government bonds encouraged profit-takers to move in.

The price of the Japanese government bond futures contract for September hit a high of 107.42 on the strength of the currency and of US Treasury bonds.

However, leading city banks sold into strength and brought it down to 106.95 by the close of dealing in Tokyo, dealers said.

The trend continued in London on modest volume but dealers said a two-way view was developing as foreign investors, who had been heavy buyers of Euroyen bonds, began to see them as fully valued and started to switch into government bonds.

■ AUSTRALIAN government bonds recovered from their trouncing on Tuesday caused by the very disappointing level of the current account deficit. The seasonally adjusted figure for April came in at A$1.79bn against predictions of around A$1.2bn.

Heavy selling pushed the yield on the 10-year government bond up by 15 basis points to 7.73 per cent but an improvement in the Australian dollar against its US counterpart helped the yield to tick back to 7.64 per cent yesterday.

FT FIXED INTEREST INDICES

	June 2	June 1	May 28	May 27	May 26	Year ago	High *	Low *
Govt.Secs.(UK)	95.84	94.84	94.58	95.08	94.98	89.10	98.04	93.28
Fixed Interest	111.32	111.13	111.48	111.54	111.47	105.48	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (2/5/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	June 1	May 28	May 27	May 26	May 25
Gilt Edged Bargains	97.9	87.9	101.2	106.3	85.4
5-Day average	98.8	97.8	96.1	93.2	91.9

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	112.8729	+0.752	7.64	7.56	7.54
BELGIUM		9.000	03/03	110.8500	-0.100	7.40	7.39	7.56
CANADA *		7.250	06/03	98.3500	+0.050	7.49	7.59	7.51
DENMARK		8.000	05/03	103.3600	+0.300	7.51	7.51	[illegible]
FRANCE	BTAN	8.000	05/98	105.0814	+0.163	6.75	6.66	6.79
	OAT	8.500	04/03	109.3900	+0.030	7.27	7.19	7.22
GERMANY		6.75	04/03	99.1750	+0.220	6.87	6.86	6.79
ITALY		11.500	03/03	97.4150	+0.265	12.31†	12.28	12.90
JAPAN	No 119	4.800	06/99	101.4753	-0.073	4.49	[illegible]	4.34
	No 145	5.500	03/02	105.4397	-0.531	4.63	4.57	4.36
NETHERLANDS		7.000	02/03	101.8900	-0.050	6.72	6.71	6.72
SPAIN		10.300	06/02	96.0180	+0.271	11.11	11.02	11.38
UK GILTS		7.250	03/98	100-21	+4/32	7.08	7.06	7.16
		8.000	08/03	99-23	+10/32	8.04	8.00	8.10
		9.000	10/08	105-00	+20/32	8.41	8.41	8.47
US TREASURY *		6.250	02/03	101-14	+13/32	6.05	6.38	5.97
		7.125	02/23	108-01	+19/32	6.88	6.98	6.89
ECU (French Govt)		8.000	04/03	103.1800	+0.150	7.53	7.48	7.63

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Aggressive terms set for Chilean deal

By Sara Webb in London and Nicholas Denton in Budapest

A SLEW of sovereign and corporate names hit the Eurobond market yesterday, with borrowers tapping mainly the dollar, Ecu and D-Mark sectors.

Among emerging market names, Celulosa Arauco Y Constitucion, the Chilean pulp and forestry products group, attracted considerable attention with a very aggressively priced deal.

INTERNATIONAL BONDS

The $150m five-year deal marks the first time that a Chilean borrower has launched a straight bond issue, according to Chase, the lead manager. Compania de Telefonos de Chile, the Chilean telecommunications group, launched a convertible bond issue earlier this year.

Mr Jorge Jasson, managing director of the international capital markets group in Chase, said the bond was priced to yield 210 basis points over the relevant Treasury bond, making this the tightest launch spread from a Latin American name.

The proceeds will be used partly to pay off existing debt and extend its maturity, while $50m will be used for working capital. The company does not have an international credit rating, but Chase said it carries the top local rating.

"The deal will go well – they can afford to price it aggressively as a lot of people have been looking for Chilean paper," said one dealer.

The Kingdom of Sweden turned to the Ecu sector yesterday with an Ecu500m, seven-year deal. Sweden has borrowed in a broad range of currencies recently, and bankers estimate it is now about halfway through its borrowing programme for the year.

Swiss Bank Corporation, the lead manager, said it looked at recent seven-year Ecu issues from the EIB and France for reference when pricing the deal. These two deals were yielding 7.19 per cent and 7.47 per cent respectively, while Sweden was priced to yield 7.516 per cent at launch.

Dealers said the issue went fairly well and was expected to appeal to both retail and institutional investors in search of current-coupon Ecu paper.

The Republic of Portugal, which recently had its credit rating upgraded by Standard & Poor's, took advantage of the good news by tapping the D-Mark sector.

The DM 1.5bn, 10-year issue, will be priced today at between 27 and 30 basis points over the 6¾ per cent bund due 2003. Dresdner Bank, the joint lead manager, estimated that the recent upgrading probably translated into a 5 basis point saving for Portugal.

In the dollar sector, France's Compagnie Bancaire launched a $300m two-year offering of bonds via Paribas Capital Markets. Dealers said the issue was fairly priced at 70 basis points over the comparable US Treasury.

Magyar Kulkereskedelmi Bank of Hungary yesterday launched a DM100m bond issue and so became the first east European commercial bank to tap the international capital markets since the collapse of communism.

The state-controlled foreign trade bank priced the five-year 9¼ per cent Eurobonds to yield 324 basis points above the comparable benchmark German government bond.

The lead manager of the deal was Bayerische Landesbank, the German bank which last year expressed interest in taking a stake when Kulkereskedelmi Bank is privatised. The European Bank for Reconstruction and Development broke new ground by acting as senior co-manager.

The D-Mark market was a "natural choice," Kulkereskedelmi Bank said. Germany is Hungary's largest trading partner and the bank is Hungary's main financer of foreign trade.

The National Bank of Hungary, the central bank, has also paved the way for Hungarian borrowers with a series of DM bonds culminating this April in a DM1bn issue carrying a coupon of 9.25 per cent.

However, the German roadshow for Kulkereskedelmi coincided with the Hungarian finance ministry's announcement that gross domestic product could fall by up to 3 per cent rather than show the 0–3 per cent growth first forecast.

At the same time a report by the World Bank and Crédit Suisse First Boston showed capital problems at the Magyar Hitel Bank and Kereskedelmi Bank, the two largest Hungarian commercial banks.

The news prompted fears that the financial community might lump Kulkereskedelmi together with Hungary's more troubled institutions but the bank, which has a capital adequacy ratio of 16.1 per cent, was judged on its own merits.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Compagnie Bancaire	300	5.25	99.9R	Jul.1995	0.25R	+70 (4¼%-95)	Paribas Capital Markets
Celulosa Arauco	150	7.25#	99.547R	Jun.1998	0.8125R	+210(5¾%-98)	Chase Investment Bank
Nippon Oil & Fats Corp.(a)ϕ	100	†	100	Jun.1997	2.25	-	Yamaichi Intl.(Europe)
Finance One Public Co.(b)§	65	(b)	100R	Jun.2003	2.75R	-	Salomon Brothers Intl.
Banco Mercantil de Sao Paolo	50	9#	99.5714R	Dec.1995	1.125R	+482 (c)	Chemical Investment Bank
Banco Geral do Comercio	50	10#	99.4R	Dec.1995	1.25R	+590 (c)	ING Bank
Industries Villares★	30	11#	99.2522	Jun.1996	-	-	Morgan Grenfell & Co.
D-MARKS							
Republic of Portugal	1.5bn	(d)	(d)	Jul.2003	0.325R	(d)	Commerzbank/ Dresdner
Hungarian Foreign Trade Bank	100	9.5	101	Jul.1998	2	-	Bayerische Landesbank
STERLING							
Yorkshire Water(e)§	60.4	6.75#	100R	Sep.2008	2.5R	-	Baring Brothers & Co.
CANADIAN DOLLARS							
Ford Credit Canada	125	6	99.96R	Jul.1996	0.325R	+100(6¾%-96)	Wood Gundy
ECUS							
Kingdom of Sweden	500	7.25	98.59R	Jun.2000	0.3R	-	Swiss Bank Corp.
PESETAS							
World Bank(f)	10bn	10.35	101.26	Jun.1998	1.625	-	Banco Central Hispano
LKB Financef	10bn	10.5	101.15	Jul.2003	1.875	-	Bco.Trans(Deutsche Bk.Gp)
DANISH KRONER							
Mortgage Bank of Denmark	500	7.375	101.875	Jul.2000	1.875	-	Kredietbank, Brussels

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. ϕWith equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Final terms fixed on 7/6/93. b) Final terms fixed by Friday: coupon indicated at 5½-6¼% and conversion premium at 6-12%. Redemption price linked to $/Baht exchange rate. Mandatory conversion clause. c) Spread is over the interpolated yield curve. d) Priced today to yield 27-30bp over the 6¾% Bund due 2003. e) Conversion price: 608p. Callable at par from 14/10/98 or earlier if 85% of bonds are converted. f) Matador bonds.

Nomura cuts domestic bond issue commissions

By Emiko Terazono in Tokyo

NOMURA Securities, the leading Japanese securities house, will cut its underwriting commissions for domestic straight bond issues starting this month.

The move comes ahead of the entry of banks' securities subsidiaries into the underwriting business after a partial easing of barriers between the country's banking and securities industries last April.

Until now, underwriting of domestic corporate bond issues has been dominated by the Big Four brokers - Nomura, Daiwa, Nikko and Yamaichi.

Nomura will cut its commissions by Y0.05 per Y100 face value. The move is the first cut in commissions since the fixed price reoffering method was introduced into the Japanese market in December 1991.

Bond market analysts welcomed the move, saying that market competition in pricing had finally started to appear.

Nomura has cut the commission for Tokyo Electric Power's Y150bn three-year straight bond, to be issued later this month, from Y0.45 to Y0.40.

The reduction in underwriting commissions comes as Japan's primary corporate bond market is changing its pricing and fee structures to entice Japanese issuers away from European bond markets.

● Nomura Securities International, a subsidiary of Nomura, has appointed Mr Raymond Carli as treasurer and senior vice-president, replacing Mr Kevin Farrell, Reuter reports from New York. Mr Carli joins Nomura from CS Holding's First Boston Pacific affiliate.

● Profits at Japan's Big Four brokerages' overseas units fell sharply in the year to March 31, Reuter reports from Tokyo.

The profits were hit hard by the sluggish Tokyo stock market, which prevented Japanese companies from issuing new bonds and shares abroad, spokesmen for Nomura, Nikko, Daiwa and Yamaichi said.

● Yamaichi, the Japanese securities house, announced yesterday that it had formally applied to the Bank of England to set up as a gilt-edged market maker.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 2

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9½ 94	200	105¼	105½	-⅛	4.36
AlbertaProvince 9⅞ 95	600	110	110⅜		4.84
Austria 8½ 00	400	112	113⅜	+¼	6.06
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	99	100	+⅛	8.02
ECSC 7¾ 94 LFr	1000	100	101		7.73
World Bank 8 96 LFr	1000	101	102	-⅛	7.59
[illegible]					

The remaining sections of this table (D-MARK STRAIGHTS, SWISS FRANC STRAIGHTS, YEN STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLE BONDS) and its footnotes are [illegible].

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	64	7	6
Other Fixed Interest	3	0	12
Commercial, Industrial	368	193	838
Financial & Property	253	47	499
Oil & Gas	27	12	45
Plantations	0	3	5
Mines	15	75	50
Others	75	19	31
Totals	805	356	1,4[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -
[illegible]							

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -
[illegible]							
125		9/7	10pm	15pm	Davenport Vernon	10pm	
12		8/7	¼pm	¼pm	EFG	¼pm	
6		5/7	3½pm	¼pm	Graystone	4pm	-½
5		9/7	2¼pm	1¼pm	Harmony Leisure	2¼pm	
14		7/7	4pm	2¼pm	Jarvis	3pm	
255		7/7	30pm	25pm	Royal Insurance	28pm	+2
130		5/7	54pm	28pm	Saatchi & Saatchi	37pm	-4
135		12/7	34pm	30pm	Stratford Instrs.	33pm	
171		30/6	13pm	10pm	United Drug	12pm	

[illegible] Figures based on prospectus estimates. ¶ Figures based on IMR 'Headline Earnings' draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by way of rights. † Introduction. § Placing price. ‡ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings June 1
● Last Dealings June 11
● Last Declarations Sept. 2
● For settlement Sept. 13

3-month call rate indications are shown in Saturday editions.

Calls in: Arcon Intl., Avesco, BET, Budgens, Cannon St. Inv., Corporate Services, Excalibur, Fairhaven, Greycoat, Hanson Wts., LEP and Premier. Puts in: Dares Ests. and Dares Ests. 7¾pc.Pref. Puts & Calls: Greycoat and LEP.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons (*527)	500	41	55½	63	7	15	22½
	550	13	26	37	32½	39½	47
[illegible]							

Option		Calls Jul	Calls Oct	Calls Feb	Puts Jul	Puts Oct	Puts Feb
Grand Met (*416)	390	33	42	51	16	17	25
	430	14	16	35	22	32	41
Ladbroke (*182)	180	14½	22	26	8½	17	22
	200	6	12½	17½	21½	28½	30
Utd Biscuits (*366)	360	32½	51½	56	9	14½	23
	390	21	34	42½	21	28½	37

Option		Calls Jul	Calls Oct	Calls Dec	Puts Jul	Puts Oct	Puts Dec
Fisons (*182)	160	15	23	25	11	18	22
	180	6½	15½	17	24½	31	31

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero (*367)	360	38	52½	60	26	36	47
	390	22	34	47½	43	55½	60
[illegible]							
Amstrad (*35)	[illegible]	2	5½	7	2	4½	5½
	40	1	3½	5	5½	7½	8½
Barclays (*486)	460	14	31	43	7	25	32
	500	1½	[illegible]	25	37	[illegible]	[illegible]
Blue Circle (*251)	240	15	25	[illegible]	2½	13	19
	260	4	15	22	13	22	30
British Gas (*299)	280	[illegible]	22	28½	3	8	15
	300	2½	11½	16½	13	18½	25½
Dixons (*217)	200	20	28	35	2	12	16
	220	6	18	25	10	22	27

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Eurotunnel (*422)	420	13½	38	58	15	37	49½
	460	3½	23½	39	48	60½	74
[illegible]							

FT-SE INDEX (*2880)

	2725	2775	2825	2875	2925	2975	3025	3075
CALLS								
[illegible]								
PUTS								
Jun	4	9	21	50	91	141	[illegible]	241
Jul	15	25	[illegible]	67	[illegible]	147	191	241
Aug	27	41	58	83	115	151	192	241
Sep	38	52	72	96	125	159	198	252
Dec †	-	81	-	124	-	182	-	246

June 1 Total Contracts 22,649
Calls 15,452 Puts 7,197
FT-SE Index Calls 2,132 Puts 3,047
Euro FT-SE Calls 427 Puts 509
*Underlying security price. † Long dated expiry mths.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Jun 2	Day's change %	Tue Jun 1	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (26)	128.17	+0.05	128.10	2.45	[illegible]
2	5-15 years (22)	146.76	+0.23	146.42	2.68	5.22
3	Over 15 years (10)	157.49	+0.50	156.67	2.90	3.49
4	Irredeemables (6)	175.70	+0.39	175.02	1.06	6.36
5	All stocks (64)	[illegible]	+0.23	143.17	2.65	4.59
	Index-Linked					
6	Up to 5 years (2)	184.58	+0.17	184.27	0.82	1.52
7	Over 5 years (11)	174.08	+0.08	173.94	1.22	1.72
8	All stocks (13)	174.37	+0.09	174.22	1.18	1.75
9	Debs & Loans (86)	127.[illegible]	+0.54	127.21	2.18	4.79

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jun 2	Tue Jun 1	Year ago (approx.)
	British Government				
1	Low	5 years	7.13	7.14	8.01
2	Coupons	15 years	8.05	8.10	8.90
3	(0%-7¾%)	20 years	8.28	8.32	[illegible]
4	Medium	5 years	7.35	7.37	9.16
5	Coupons	15 years	8.45	8.50	8.98
6	(8%-10¾%)	20 years	8.54	8.60	8.93
7	High	5 years	7.58	7.59	[illegible]
8	Coupons	15 years	8.71	8.76	9.18
9	(11%-)	20 years	8.76	8.79	9.12
10	Irredeemables(Flat Yield)		8.60	8.63	9.09
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.82	2.87	3.99
12	Inflation rate 5%	Over 5 yrs.	3.56	3.58	4.31
13	Inflation rate 10%	Up to 5 yrs.	2.18	2.22	3.29
14	Inflation rate 10%	Over 5 yrs.	3.38	3.38	4.13
15	Debs &	5 years	8.60	9.01	10.43
16	Loans	15 years	9.42	9.49	10.23
17		25 years	9.58	9.63	10.12

COMPANY NEWS: UK

Restructuring costs total £8.5m as 400 jobs are shed

Price increases behind rise at Thames Water

By Angus Foster

THAMES WATER, the largest of the privatised water companies, yesterday announced a 6 per cent profits increase for the year ended March 31 1993, thanks to a strong performance from its regulated business.

Pre-tax profits advanced from £236.3m to £251.3m mainly because of average price rises of 9 per cent. At the interim stage, profits were 5 per cent higher at £124m.

Mr David Luffrum, group finance director, said the results were "satisfactory given the recession, not only in the UK but also in our overseas markets".

Turnover for the 12 months increased from £899m to £1.04bn, lifted by sales from acquisitions which contributed £76.6m. The regulated business reported turnover up 7.4 per cent at £810m and was affected by reduced measured usage.

There were restructuring costs of £8.5m as staff numbers were cut by 400 to 6,800. Operating costs increased 16 per cent to £769.2m.

Thames's unregulated businesses, which include process engineering companies PWT Worldwide and Utag, reported disappointing pre-tax profits of £2.8m on sales of £234.4m.

About £3.1m of profits, however, stemmed from treasury operations and several of the operating companies announced losses. Brophy, an associate involved in environmental services, suffered losses totalling £2m but this has been restructured.

A planned dam and pipeline project in Turkey has been delayed, but Mr Mike Hoffman, group chief executive, said he remained hopeful the project would be signed this year.

Interest costs increased from £8.9m to £30.8m as net borrowings increased nearly £200m to £518m in line with the company's capital expenditure programme. Gearing increased from 21 per cent to 31 per cent on shareholders' funds of £1.69bn.

Earnings per share increased 8.2 per cent to 59.3p (54.8p) helped by a lower advance corporation tax charge following the budget changes.

The company recommended a final dividend of 14.1p to make a total of 21p, a 9 per cent increase. It decided against offering an enhanced scrip dividend alternative after sounding out some of its larger shareholders.

See Lex

Ashley Ashwood

Mike Hoffman (left) and Sir Christopher Leaver, chairman

Institutions concerned about a conflict of interest

Questions asked about Ritblat share purchase

By Maggie Urry

INSTITUTIONAL investors in British Land were yesterday asking questions about the deal secured by Mr John Ritblat, chairman, to buy shares at 298p while the market price jumped 46p yesterday to 344p.

More fundamentally, they were concerned that the partnership deal with Mr George Soros's Quantum group could cause a conflict for British Land's management, trying to serve both its own shareholders and the partnership.

The subject is fraught since in 1989 institutional investors stopped British Land from spinning off most of its properties into a new company. The deal included management incentive targets which shareholders considered too easy.

As part of yesterday's deal setting up the partnership which will invest £500m in property, Quantum is to buy 11.3m new shares at 298p each, the closing share price on Tuesday. However, Quantum is buying the shares ex the final 4.72p dividend and ex the 4-for-17 rights issue at 245p which British Land also announced yesterday.

Mr Ritblat is buying 2m shares personally, of which 538,383 will come from taking up the rights on his existing holding. At least another 1m shares and up to all the remainder of the 2m will be bought from Quantum at the 298p price. This will take his total holding to 4.29m shares.

It was also revealed yesterday that Mr Ritblat's salary rose by 7.9 per cent last year to £336,300.

On the face of it, the share deal gives Mr Ritblat a rapid profit. However, advisers to British Land said that under the terms of the agreement with Mr Soros, Mr Ritblat had to retain 4m shares for a year, so he could not realise yesterday's profit. Further, he is required to hold 2m shares until the end of the partnerships "acquisition period" at the end of 1997.

An incentive for British Land management in the form of options over another 4m of the Quantum shares, again at 298p, cannot be exercised until 2003, and only then if certain performance criteria are met.

British Land said Mr Soros had insisted that Mr Ritblat put his own money into British Land shares. Rather than viewing the agreement as a way for Mr Ritblat to buy shares cheaply, they were seen as the "stick" part of a "carrot and stick" arrangement.

Since the shares to satisfy the management options would come from Quantum rather than from the company the incentive scheme was not dilutive for shareholders.

As for potential conflicts, British Land said that what was good for the partnership would be good for its own shareholders.

Unlike the 1989 deal, which was defeated at a shareholder vote, yesterday's proposal is not subject to shareholder approval.

Double glazing company's silence a worry for employees

Fears grow over Alpine pensions

By Peggy Hollinger

FEARS HAVE been expressed over the fate of pension payments made over the last 15 months by employees of Alpine (Double Glazing), which informed staff by post on Saturday that it had ceased trading.

The Department of Trade and Industry is also believed to have had meetings with former employees over events at the company. The DTI refused to comment yesterday.

Repeated enquiries over several months regarding the pension payments - estimated to total about £100,000 - have failed to elicit a response from the management. Alpine, once owned by ADT, was purchased from administrators in February 1992 by a group backed by Midlands entrepreneur Mr Clive Smith.

At the time of the purchase, the new management sought to effect a transfer of pension payments up to February 1992 from the ADT fund to the new company. The ADT trustees refused, however, as Alpine did not present an approved plan. As recently as December 1992, Alpine was unable to present an approved pension plan.

However, the company continued to deduct pension payments from employees' salaries. Discussions with Allied Dunbar on setting up a pension plan were never followed through.

One former employee said yesterday that the company had deducted £2,500 in pension payments from his salary since February 1992. The management has so far failed to respond to queries from either the employee or his solicitor. Calls to the head office and messages left with the senior management went unanswered.

It became clear yesterday that Alpine has been in difficulties for some time. Many employees have not been paid for up to three months, while bills for advertising and services have also been left unpaid. On Friday Mr Robin Speirs, chief executive, gave notice on behalf of the board of a meeting of creditors to be held on June 15 which would decide whether Alpine should be liquidated.

Alpine was once one of the best known names in the double glazing industry. In a recent attempt to revive the company, Alpine produced a glossy brochure entitled Nightmare on Life Street setting out its latest products including a window with a burglar alarm.

Warburg chief takes £0.8m pay reduction

By Tracy Corrigan

Sir David Scholey, chairman of SG Warburg, saw his pay package tumble by £787,000 for the year ended March 31 1993.

The UK merchant bank sliced his pay from £1.2m leaving him with a package totalling £411,000, with no long-term performance related payments.

Group profits fell 11 per cent to £148m, despite a strong recovery in the second half.

Sir David's pay included an annual performance-related payment down from £316,000 to £216,000, but there was no long-term performance related bonus, which had accounted for more than half his remuneration package the previous year.

His basic salary was unchanged at £195,000, according to the annual report. Long-term performance related pay is set by a compensation committee.

British Land 3.9% ahead as property values pick up

AS WELL as announcing the £500m property buying partnership and a £132m rights issue yesterday, British Land reported a 3.9 per cent rise in pre-tax profits to £34.6m for the year to end-March, writes Maggie Urry.

Mr John Ritblat, chairman, said that "the signs of recovery which I signalled a year ago are now more widely discernible". He said that since the recession began, the group had bought £900m of properties and those were now valued at £109m over purchase price.

A final dividend of 4.72p (4.28p) is proposed to give a total of 7p (6.35p), a rise of 10.2 per cent. Fully diluted earnings per share rose 6.4 per cent to 13.3p.

The fall in the value of the group's properties over the year was 3.3 per cent, a smaller drop than the 10.5 per cent and 9.6 per cent of the two previous years. During the year the group bought £166m of properties and sold £113m. Net assets per share fell from 326p to 307p.

Gross rental income rose by 15.3 per cent to £146.6m, a feature being the rent review at the Euston Tower, and operating income was up 18.3 per cent to £125.5m. There was a £2.3m (£6.3m) profit on property trading.

However, the interest charge rose from £79.1m to £93.2m. Mr John Weston Smith, finance director, said that the debt/equity ratio had been reduced. Year-end net debt was £882m and shareholders funds were £718.4m (£763.8m).

The group had exercised its right to convert its £115m convertible bonds into convertible preference shares and had issued a £200m, 35-year debenture. The group also has over £600m of bank facilities.

The group's debt now has an average maturity of 19 years at an average cost of 9.58 per cent.

Mr Weston Smith said that there had been a slight increase in the proportion of voids in the portfolio to 3 per cent, but that 50 per cent of the group's properties were occupied either by government agencies or FT-SE 100 companies.

The UK office portfolio had fallen in value by 12.2 per cent, but within that City of London offices had fallen by 11.4 per cent compared with a 31 per cent drop the previous year.

Inveresk shares rise 15% in first day's trading

INVERESK, the Scottish paper maker, closed at a near 15 per cent premium in its first day's trading on the Stock Exchange yesterday, writes James Buxton.

The shares, priced at 150p, closed at 172p, having touched 177p.

Some 5.5m shares were traded, out of the 23.6m issued in the placing and intermediaries offer, which was 6.6 times subscribed.

Selling was mostly on behalf of private investors unwinding holdings after being disappointed by the size of their allocations, which were severely scaled down.

James Capel, broker to the offer, said that the premium was fair and the company was happy with it.

Though not as high as some recent first day premiums, it was at a level needed to build a good shareholder base, James Capel added.

Order book exceeds £700m of which 95% will go overseas

Vosper improves to £19m

By Andrew Bolger

A STRONG export performance helped Vosper Thornycroft Holdings, the shipbuilding and engineering group, sail through the gloom which has gripped other defence contractors.

The Southampton-based company yesterday reported a 19 per cent increase in pre-tax profits to £19m in the year to March 31. Sales rose by 25 per cent to £196m.

Mr Peter Usher, chairman, said the group's order book remained in excess of £700m, of which 95 per cent will go overseas - mainly to the Middle and Far East.

Vosper Thornycroft is currently making no plastic-hulled minehunters, but hopes soon to receive funding for another three from Saudi Arabia, and a further batch from the Royal Navy. It has also tendered to build six minehunters for both Australia and Turkey.

Mr Martin Jay, managing director, said work on new steel ship orders for Oman, Quatar and the UK's Customs and Excise was progressing well.

The policy of broadening the group's business base into related field continued, with non-defence order input up from £14m in 1992 to £16m in 1993.

Cash balances stood at £90m at the year-end, of which about £50m could be used for acquisitions. Mr Jay said he wanted to take a measured approach, making acquisitions in areas which were related to the core business.

Earnings per share rose 19 per cent to 41.3p (34.8p).

A final dividend of 11.1p (9p) gives a total for the year of 15.8p (13.1p), an increase of 21 per cent. The company said it had increased the dividend by this exceptional amount so as to compensate institutional shareholders for the reduction in the rate of Advance Corporation Tax.

● COMMENT

These results caused Vosper Thornycroft's shares to close 22p higher at 595p yesterday - completing a striking rerating from their level of 240p of March last year. It has taken the market some time to realise that not all defence companies deserve to be in the dog house - and Vosper Thornycroft's strong overseas order book continues to impress. Forecast pre-tax profits of £20m put the shares on a prospective multiple of 13.8, a slight discount to the market. However, in spite of the dividend rise, the prospective yield of 3.5 per cent is substantially below the market average. The shares are likely to take a breather, at least until there are more firm orders from the Royal Navy or Saudi Arabia.

Ashley Ashwood

Peter Usher (left) and Martin Jay: broadening the business base

Stakis £2.83m back in profit

By James Buxton, Scottish Correspondent

STAKIS, the hotels and casinos group, continued its recovery in the first half and achieved pre-tax profits of £2.83m.

That compared with a £3.39m loss previously, restated in accordance with the FRS 3 accounting standard.

It has restored payment of an interim dividend with 0.45p for the six months to April 4. Earnings per share were 0.84p against losses of 1.24p.

Mr David Michels, chief executive, said the Glasgow-based company's improved performance was due largely to its own efforts at improving margins and controlling costs, rather than to increased demand. "We've not seen any green shoots at all in hotels, though turnover in casinos is up slightly," he said.

Stakis, which was subject to a rescue led by Sir Lewis Robertson, chairman, in 1991 after ill-judged expansion, recently sold its nursing homes division for £50m to a syndicate led by Electra, making an extraordinary loss of £47.7m. It also raised £28m in a rights issue. It now concentrates on hotels and casinos.

The hotels division improved its operating profit by 35 per cent to £8.1m (£6m) thanks mainly to better margins and higher occupancy levels.

Casinos' operating profits increased from £3.1m to £5.4m, due to improved trading following the group's decision to keep the activity as a core business. The Scottish casinos maintained the previous year's performance, while those in England improved.

Turnover on continuing operations was £64.8m in the 27-week period (£62.3m in 26 weeks).

Sir Lewis Robertson said: "It's a recovery in the sense that there is no illness now, and there is more to come as the economy improves. It's been a team effort working on fundamentally good material."

● COMMENT

The arcane debate about whether Stakis is off the sick list ought now to be concluded in the affirmative. It is a much smaller company than it was, but the two divisions which remain are sound and the management gives a comforting impression that, unlike its predecessor, it is not likely to do anything stupid. The fact that it made yesterday's profits without seeing any green shoots is austerely encouraging, and they reflected only a few weeks of the reduced interest payments that followed the disposal and rights issue. What happens next depends partly on how provincial hotels perform this summer. The market is looking for full-year profits of about £9m for a p/e of 17. But potential profits of £14m-£15m in 1993-94 are not yet fully in the share price unchanged yesterday at 55p.

US clarifies trading of Zeneca during rights

By Maggie Urry

THE US Securities and Exchange Commission has clarified the trading rules for underwriters of the Zeneca £1.3bn rights issue.

Since shares of Zeneca, the bioscience business demerged this week from Imperial Chemical Industries, are to be listed in New York as well as London, the SEC's rules have to be complied with.

However, whereas normally there are restrictions on underwriters throughout such an offer period, the restrictions on Zeneca's underwriters will only cover the last five days up to the close on June 21.

Underwriters will be able to trade normally if the Zeneca share price is either below the 600p rights issue price or more than 666p. Yesterday the shares closed at 634p, up 4p.

If the share price is between 600p and 666p, underwriters can only trade "passively" the SEC says. This means they can respond to client orders and deal at the market price. But they cannot generate trades or "lead" the market.

Meanwhile, shares in new-ICI, rose further yesterday, up 38p to 674p.

Anglian Group advances 24% to £23m

By Peggy Hollinger

LOWER INTEREST charges helped Anglian Group, the double glazing company which came to the market last year, announce a 24 per cent jump in pre-tax profits from £18.6m to £23.1m.

Operating profits, struck on sales 4 per cent higher at £151.4m, were only marginally ahead from £23m to £23.2m for the 53 weeks to April 3. However, the pre-tax return was helped by a £4.5m drop in interest charges to £1.2m. The results compare with the 52 weeks to March 28 1992.

Mr Bill Hancock, chief executive, said he was reasonably pleased with the improvement in sales and profit given the tough conditions in the market. The company estimated that the overall UK market had declined by about 10 per cent in the past year.

Mr Hancock said the group had experienced particularly tough trading following the devaluation of sterling and withdrawal from the exchange rate mechanism.

However, consumer confidence appeared to have picked up in the final quarter. The overall order book had risen by about £5m from the start of the year to £35m on the back of stronger retail interest.

The commercial division, which performed largely public sector work, had a slightly lower order book than last year. However, it now comprised about 15 per cent of sales, against 10 per cent. The larger proportion of public sector work was partly responsible for a decline in margins from 15.8 per cent to 15.3 per cent.

Mr Hancock said the group expected benefits in the current year from the £8.5m purchase in March of New England Windows, which supplies local authorities in England and Wales.

On a pro forma basis, which assumes that the capital reorganisation and share issue at the flotation had been in place for the last financial year, Anglian showed a 6 per cent advance to £24.2m pre-tax.

The proposed final dividend of 5.8p makes 9.5p for the year. This compares with a notional pay-out of 8.7p on a pro forma basis. Earnings fell from 18.9p to 18.7p per share, based on the pre-flotation share structure.

Birkdale placing and offer to raise £1.95m

BIRKDALE Group, which is involved in advertising, public relations and marketing, is raising about £1.95m net through the placing of 21.78m new ordinary shares at 10p.

The shares have been conditionally placed subject to an open offer to shareholders by Apax Partners on the basis of 11-for-9. The proceeds will be used to reduced indebtedness and provide additional working capital to enable the group to continue trading.

The group's shares fell 28 per cent yesterday, from 25p to 18p.

Following the placing and offer, the company proposes to subdivide each existing share into one new ordinary with a nominal value of 5p and one deferred share with a nominal value of 20p, which the company proposes to buy back and cancel.

Birkdale has also entered agreements with Stax Investments International as a development partner for Thanestead Farm near High Wycombe in Buckinghamshire.

An extraordinary meeting is being held on June 25 to consider the proposals. Dealings in the new shares are expected to begin on June 28.

ICD sells 75% stake in Database to management

INTERNATIONAL Communication & Data, the USM-quoted provider of direct marketing data, is disposing of 75.1 per cent of its interest in lossmaking The Database Group, to existing management and financial backers.

ICD, which has changed its year end to May 31, also announced a pre-tax loss of £491,000 for the 12 months to February 28 against profits of £1.14m.

The result includes losses of £415,000 from TDG and £1.05m of exceptional charges. Turnover was £8.8m (£9.6m).

Mr David Cicurel, chairman, said that the three months to May were a period of low seasonal activity which usually traded at a loss.

The results for the 15 months would therefore include such losses as well as provisions in respect of group properties and the effect of a new accounting policy to record the value of the databases.

TDG, which comprises the businesses of Lindor and Compass and the consulting arm of ICD, is being sold for cash to Quayshelfco 430, formed for the purpose of the acquisition by Mr Les O'Reilly, who will resign as a director of ICD on completion of the sale.

The disposal, which will allow significant head office economies, should restore profitability, Mr Cicurel said.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglian	fin	5.8	Sept 9	-	9.5	-
Barcom	int	1.25	July 15	nil	-	1.25
Cupid	fin	nil	-	3.25	nil	3.25
Foreign Col PEP	int	0.9	June 30	-	-	-
Siebe	fin	6.6725	Oct 1	6.05	10	9.075
Stakis	int	0.45	-	nil	-	0.45
Sturge	int	1	-	2.75	-	8.25
Thames Water	fin	14.1	-	12.8	21	19.2
Vosper Thorny	fin	11.1	-	9	15.8	13.1
Wood (SW)	fin	0.75	Oct 2	0.25	1.25	0.25
Yorks Water	fin	14.2	Oct 1	18	21.25	19.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Lower Lloyd's income cuts Sturge to £0.3m

By Richard Lapper

A DECLINE in fee income from its Lloyd's agencies cut interim pre-tax profits at Sturge Holdings from £2.58m to £325,000 in the six months to March 31.

The fall in fee income was due to a reduction in the amount of insurance capacity managed by Sturge in 1993 and was only partially compensated for by a rise in income at Wise Speke, the stockbroking subsidiary.

Fee and commission income from insurance fell to £7.77m (£7.85m), producing operating losses of £1.99m (£813,000 profit).

Income from stockbroking rose to £6.33m (£4.36m), leaving an operating profit of £951,000 (£11,000).

Expenses, however, jumped to £15.1m (£11.4m), reflecting the inclusion of start-up costs for Sturge's run-off subsidiary and new European operations, as well as higher expenditure by Wise Speke.

Operating losses of £1.04m (£802,000 profit) were offset by a fall in interest and other income to £1.36m against £1.78m.

Earnings per share fell to 0.4p (3.4p) and a reduced dividend of 1p (2.75p) was declared.

Mr David Coleridge, chairman, said the group's fortunes reflected the problems of the insurance market, describing recent underwriting losses as "truly horrific."

Nevertheless, 11 of Sturge's *22 syndicates reported profits* in the 1990 year of account, despite projected losses for the market as a whole of between £2.5bn to £2.8bn.

Profit commission, expected to amount to about £4m in the second half, will be reflected in the full-year results.

Overall, Sturge's syndicates will still lose an amount equivalent to 21 per cent of their stamp capacity, said Mr Terry Hayday, chief executive.

SW Wood ahead and pays £2.5m for A Gait

SW WOOD, the specialist printing and packaging business previously involved in metal trading, is acquiring Albert Gait Holdings and its subsidiaries for an initial £2.51m.

The acquisition is part of Wood's policy of expansion in the printing and packaging industry.

The initial £2.51m payment is to be satisfied by the issue of 2.39m ordinary shares worth 70p each, making £1.68m, plus £837,500 in cash. These payments rely on Gait achieving pre-tax profits of £500,000 in the year to June 30 and net assets of £1.7m.

Further cash consideration to a maximum of £606,250 will be due if adjusted profits for the year to June 30 1994 exceed £335,000.

Grimsby-based Gait is involved in the printing and production of timetables and handbooks, computerised typesetting, plate making and book and stationery retailing.

Wood yesterday also announced sharply higher profits for the year to March 31. The pre-tax result of £1.02m compared with a £250,000 deficit previously (restated in accordance with the FRS 3 accounting standard).

The directors have recommended payment of a final dividend of 0.75p, which makes an increased total of 1.25p (0.25p).

Turnover for the 12 months jumped to £10.6m, including £909,000 from discontinued operations.

Sales of £5.24m in 1991-92 included £2.9m from discontinued operations.

Shareholders' approval for the acquisition will be sought at an egm on July 2.

Cupid falls into red and omits dividend

By Catherine Milton

TOUGH TRADING in the *marriage market* and high costs pushed Cupid, the USM-quoted bridal wear company, into losses in the year to end-March. The dividend has been passed.

The pre-tax loss of £1.48m compared with profits of £867,000. Last year the group paid a dividend of 3.25p.

Cupid, which grew rapidly through acquisition in the 1990s and has suffered from high costs and heavy borrow*ings, yesterday expressed opti*mism for the current year.

The company said: "Trading in the first month of the current year has been in line with the new management's expectations. The benefits of cost cutting are becoming evident and the board remains confident of a satisfactory outcome in the current year."

Cupid's shares closed down 1p to 27p yesterday. The stock, which traded as high as 143p in July 1989, had slumped after a profits warning in December 1992 which was accompanied by the resignation of the company's founders, Mr Michael Murray and his wife, Sue.

In February a £600,000 net share subscription, organised by the company's new chairman, Mr Richard Shaw, reduced gearing from more than 100 per cent to 74 per cent. Gearing fell further, to 42 per cent, with the £1.2m net proceeds of a rights issue, the third in little more than two years, received in early April.

Turnover improved to £16.4m (£14.7m) reflecting the first full-year contribution of the Youngs mens wear chain, acquired in January last year.

The company, which has adopted the new FRS 3 accounting standard, took exceptional charges of £663,000 (£115,000) including £188,000 in compensation for four directors' loss of office, and a reorganisation of its nursery and retail divisions.

Interest and similar charges amounted to £439,000 (£364,000). Losses per share were 10.5p (earnings 7.4p).

Slimmed-down creature keeps up guard

Paul Taylor reports on the continuing rehabilitation of Cannon Street Investments

BY the recent standards of Cannon Street Investments, the mini-conglomerate trying to reinvent itself, the chairman's message to the annual meeting yesterday was upbeat.

"Our portfolio of businesses is still too large . . . There are thus a number of subsidiaries that do not have a long-term future . . . But they are under control and none of them are disasters waiting to happen . . . It is of course, rather early in the rehabilitation process to guarantee a bright future," Mr Tom Long told shareholders.

The priority of the new management, led by Mr Long, a *former BAT director who* became Cannon Street's chairman a year ago, has been to stabilise the group and end its cash drain.

They have sold many of its disparate businesses and now face the task of building a new group from the less-than-promising remains.

In the past two months the market value of Cannon Street has responded to this treatment, more than quadrupling to over £30m as the share price has jumped from a low of 7¾p to 30p – despite a £115m loss last year.

Although this is only a fraction of Cannon Street's £250m market capitalisation during its heyday in the 1980s, it is perhaps an indication of investor confidence that its results can only get better.

Bank borrowings have fallen from £75.9m at the start of 1992 to £29.6m at the beginning of January and now stand at about £16m.

This excludes £25m of preference stock mostly held by the Bank of Scotland, the group's principal banker, which could, at some stage, be converted into equity.

Meanwhile, Cannon's raggedy portfolio of more than 50 subsidiaries has been pruned to just over 20 – almost all of which are now profitable at the operating level.

But there have been penalties. Last year's pre-tax loss came after £57.4m of goodwill write-offs and £42.5m of losses on sales and disposals – the result of a "kitchen sink" accounting exercise undertaken by Mr David Smith, the group's recently appointed chief executive, who led Isosceles' heavily indebted buy-out of the Gateway supermarket chain.

The impact of these moves *was felt not only by sharehold*ers in their pockets, because the ordinary dividend has been suspended, but also in the shrunken balance sheet where shareholders' funds were reduced to £17.8m.

Mr Smith joined Cannon Street's board last September and succeeded Mr Robin Binks as chief executive in March – Mr Binks, it has since emerged, received a "termination settlement" of £366,100.

Under Mr Binks and now Mr Smith, the aggressive acquisition policy of the 1980s, which had made the group virtually unmanageable and left it with gearing of 400 per cent, has been reversed.

Last year alone the group realised more than £60m from disposals, including £42m from the flotation of Avonside, the housebuilder. Virtually all of the building and building services operations were sold or closed down.

The priority, according to Mr Long, was to preserve operating cash flows, and withdraw from operations requiring significant cash input.

Tom Long: sold many disparate businesses

What is left are three main divisions: hotels and leisure, electronics distribution and food and drink distribution with annual sales of about £170m. In addition there are a handful of businesses which do not fit into any of the three broad divisions and which will probably be sold.

Mr Smith believes the best prospects lie in the hotel and leisure division and the electronics distribution businesses.

The hotel and leisure operations, with annual turnover of about £35m, comprise three hotels in Scotland, including the four-star Cameron House resort hotel at Loch Lomond, timeshare operations and Cotswold Travel, a tour operator which trades as Four Winds.

The electronics distributions businesses include Altai, which imports a wide range of electronic equipment from the Far East and Network Group Holdings, which designs electrical products like fridges, freezers and televisions, for manufacture in eastern Europe, pays for them with barter agreements and then re-imports the goods to western Europe.

Dunnet, a Netherlands-based company, mostly trades computer manufacturers' surplus stock. Altogether the division has sales of about £100m.

Although there have been a few management changes, the board plans to review how the remaining operations are per*forming at the interim stage.* "For the moment we are just looking to see how much they can produce themselves," said Mr Smith.

However much tighter financial controls have already been installed and Mr Smith said most of the businesses were working with real budgets for the first time and the group now had a single auditor across all of its subsidiaries.

Last year the group posted a loss from continuing *operations of £7.45m,* reflecting the recession and particularly poor performances by some operating subsidiaries, including Cannon Material Handling, a fork lift truck distributor and lessor which is the only remaining cash drain.

Nevertheless, Cannon Street is now cash-positive, and Mr *Long, predicts, will* return to profits this year.

The real question is just how much profit can be squeezed out of the remaining business portfolio.

Mr Robert Gibson, an analyst with Robert Fleming, is impressed with the new management so far.

"They have overhauled the balance sheet and seem to have turned the group around." Though he acknowledges that these are early days and "there is still a certain amount one has to take on trust."

That trust has probably been enhanced by Mr Long's recent purchase of a small stake in the group. In total he now holds 97,000 shares, although Mr Smith has yet to make a similar move.

Mr Gibson believes it will not be too difficult for Cannon Street to achieve modest pretax profits of perhaps £4m this year.

Further on, he suggests pre-tax profits might be boosted to about £12.5m, but he believes this is probably also "the potential and the limit," because of the quality of the businesses, and the relatively low margins they are likely to generate.

"They are not really futuristic businesses that will take them through the 90s," he says.

To paraphrase the old joke, if you want to build a high-flying mini-conglomerate you probably would not start here.

Europe Energy

Europe Energy, the USM-quoted mining group, incurred a loss of £132,817 pre-tax for the year to March 31 against a deficit of £163,953 for the preceding 15 months.

The loss took account of a £61,855 (nil) provision for the permanent diminution in value of an oil investment. Losses per share were 1.06p (1.37p).

NEWS DIGEST

Barcom in the black with £0.7m

BARCOM, the civil engineering and plant hire concern, reported pre-tax profits of £757,000 on turnover of £13m in the six months to end-March.

That compared with a deficit of £76,000 on sales of £1.44m – restated to conform with FRS 3.

Mr John Pinckard, chairman, said the acquisition of the Hawkins plant hire business in February had been satisfactorily completed. It had now been integrated into the group and was already contributing to profits, he added.

The acquisition had increased group borrowings substantially. At the period end they had risen by £18m resulting in gearing of 164 per cent, Mr Pinckard said.

The interest charge increased from £193,000 to £420,000.

An interim dividend of 1.25p (nil) is declared, payable from earnings per share of 4.05p (0.3p losses).

Baring Chrysalis plans to raise $110m

Baring Chrysalis, a London-listed investment company specialising in emerging markets, is seeking to raise $110m (£71.4m) via an issue of new shares.

About $60m is being raised via a placing of 12m C shares at $5 each, with a further 10m shares being offered to existing holders at the same price.

The C shares will eventually be converted into ordinary shares.

The rationale for issuing a separate class of shares is two-fold; the new shareholders will bear the costs of the issue; the trust's investment performance will not be distorted by market movements before the new money is fully invested.

Baring Chrysalis, which was established in December 1990, is a Cayman Island registered fund, and not an authorised investment trust.

It currently has assets of about $140m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- ABI Leisure, Bett Bros., Drayton Recovery Trust, MEPC.

Finals- Bertam, Boots, Dunhill, Hambro Insurance, Norcros, Powell Duffryn, RIT Capital Partners, Rowe Evans, Rowlinson Securities, St. James's Place Capital, VSEL Consortium, Wah Kwong Shipping.

FUTURE DATES

Interims-	
Lookers	Jun. 9
RCO	Jun. 10
Sanderson Electronics	Jun. 9
Finals-	
Datapak Foods	Jul. 12
Electrocomponents	Jun. 9
For. & Colonial Smlr Co	Jun. 14
GEI	Jun. 17
Gartmore Value Inv.	Jun. 4
MFI Furniture	Jul. 12
Moorgate Smaller Co. Inc.	Jun. 10
Northern Investors	Jun. 18
Powerscreen	Jun. 10
Tame (John)	Jun. 22

Foreign & Colonial PEP assets rise

Net asset value per ordinary share of the Foreign & Colonial PEP Investment Trust stood at 107p at March 31 1993. That compares with 97.5p at flotation on October 29 1992 and the issue price of 100p.

Available revenue for the period to end-March totalled £292,000, equal to earnings per share of 0.99p.

An interim dividend of 0.9p is being paid.

The directors are proposing to seek shareholder approval for authority to issue further shares at an extraordinary meeting convened for June 25.

Following his appointment as chairman of the Kleinwort Benson Group, Lord Rockley, chairman, will be retiring from the board on June 25. He will be succeeded by Mr Graham Ross Russell.

Homecare operation lifts Kleeneze

A significant contribution from its homecare operations helped Kleeneze increase overall pre-tax profits by 80 per cent in the first half.

In an active period, characterised by disposals and acquisitions, this distributor of consumer products achieved turnover of £29.2m (£25.3m) which worked through into pre-tax profits of £606,000 (£336,000).

However, the share price yesterday fell by 16p to 164p.

In November 1992, the company acquired 50 per cent of Hawkshead Countrywear. A £107,000 loss was carried from that business since its acquisition.

The comparative figures for 1992 have been restated to reflect the new accounting treatment under FRS 3.

Earnings per share came through at 3.17p against 2.12p.

Danish acquisition for Powell Duffryn

Powell Duffryn, the distribution and specialist engineering group, has paid £7.5m for Svanehoj International, the Danish maker of marine cargo pumps for LPG, petroleum products and chemical tanker applications.

Svanehoj, which has an annual turnover of £17.5m, will be integrated into the marine division of Powell's Hamworthy Engineering subsidiary.

KOREA

Thursday June 3 1993

South Koreans, who celebrate the 45th anniversary of their republic this year, have arrived at a unique moment in their nation's long history.

After centuries of unbroken authoritarian government on the Korean peninsula, the southern half has suddenly developed into a vibrant democracy that is one of the most liberal in Asia.

Mr Kim Young-sam, who was elected last December as the first civilian president in more than 30 years, appears determined to complete the country's transition to democracy that began with the downfall of the military dictatorship in 1987. During his first three months in office, Mr Kim has laid a stable foundation for political reform by making government more accessible and accountable to the public.

He has curbed the power of the military and once-feared intelligence agency and imposed firm civilian control over them. More importantly, an anti-corruption campaign has been launched to remove the culture of "money politics" that pervades government and society and enriched those at the top.

Revelations about bribery among senior government officials, military officers, university administrators, bank presidents and corporate executives have become the daily fare of the country's unfettered media.

What is happening now in South Korea has parallels to the current political upheaval in Italy and Japan, but with one key difference. While lowly Italian and Japanese prosecutors have been the chief agents in exposing political scandals, the anti-corruption campaign in South Korea is being led from the president's office with little apparent regard to who it affects, whether friend or foe.

In contrast to the changes sweeping through the Korean establishment, the streets of Seoul have become quiet after years of anti-government student demonstrations. It is one sign that the new administration has gained widespread public confidence.

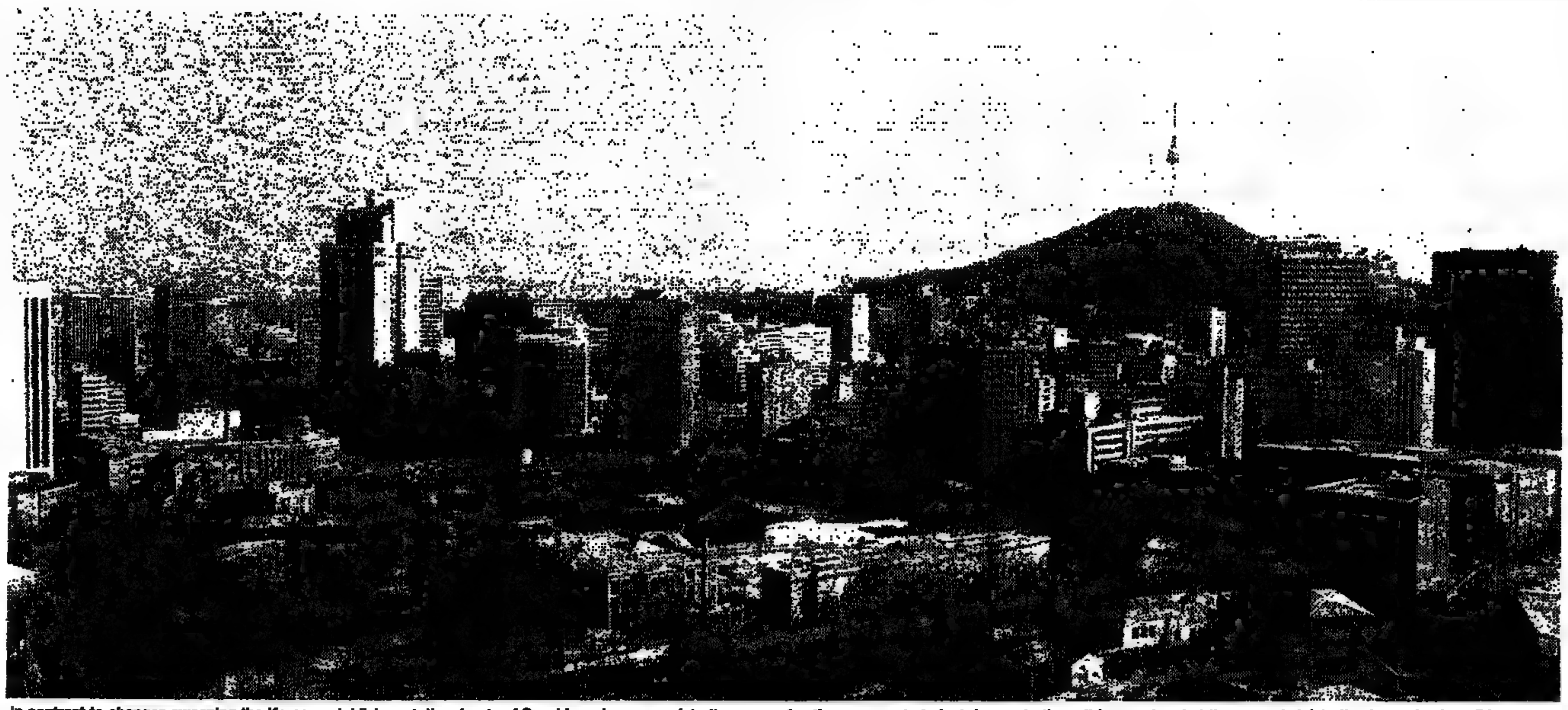
In foreign policy, South Korea has also gained respect among the regional powers that tried to dominate the peninsula during the past century and often made the Koreans feel they were mere pawns in great power politics.

As South Koreans prepare next month to mark the 40th anniversary of the armistice that ended the Korean War, they note with satisfaction that the last year has seen them being wooed by China and Russia, the two countries that supported North Korea's invasion of the South in 1950.

Beijing established diplomatic relations with Seoul last August in what was a setback for Pyongyang, while Russian President Boris Yeltsin paid a visit to South Korea in November during which he declared that Moscow would no longer militarily support North Korea.

South Korea's democratic progress and its new stature as a regional power reflects its economic success. The rise of an affluent educated middle-class, with per capita income having more than doubled from $3,110 to $6,800 in the past five years, has promoted political stability.

The potential that South Korea offers as a source of foreign investment is a key reason why China and Russia have developed ties with Seoul.



In contrast to changes sweeping the Korean establishment, the streets of Seoul have become quiet after years of anti-government student demonstrations. It is one sign that the new administration has gained confidence

Sluggish economy raises concerns

It is ironic that democracy and diplomacy are blossoming in South Korea when the state of the economy is provoking a crisis of confidence about the nation's future, reports John Burton

It is ironic then that democracy and diplomacy are blossoming when the state of the economy is provoking a crisis of confidence about the nation's future.

Last year's GNP growth rate of 4.7 per cent, although enviable by present global standards, was the country's poorest economic performance since 1980 when Korea was reeling from the twin shocks of President Park Chung-hee's assassination and the rise in Opec oil prices.

The sluggish economy has raised concerns about whether Korea can regain its position as one of most dynamic nations in Asia. Although outsiders may dismiss such fears as exaggerated, the economic performance is troubling for Koreans, who grew accustomed to double-digit growth during the mid-1980s.

Moreover, the country is once again wrestling with its traditional problems of high inflation and current account deficits after appearing to solve them five years ago.

These developments coincide with growing competition from the low-wage countries of south-east Asia and China, which have grabbed market share from Korean manufacturers as their labour costs have risen to the highest level on the Asian mainland in the past five years.

It is one reason why Korea has slipped from 11th to 13th place in the global ranking of export nations since 1990, with Korean officials predicting that the country will drop to 14th place this year.

The economic challenges confronting Mr Kim's administration are formidable. Not only must Korea return to balanced economic growth, but it also needs to introduce important structural changes to improve its international competitiveness.

Korea needs, for example, to spend more on research and development if it is to become an advanced industrial nation. Total corporate R&D spending in 1992 amounted to Won2,228bn (£1.78bn), less than what is spent on research by General Motors or IBM.

Instead of pursuing research, most Korean companies prefer to invest their earnings in automating their production facilities as wages grow or to speculate in the property and stock markets in order to raise cash and service their huge debt burdens.

Foreign companies are cautious about transferring technology because of Korea's weak protection of intellectual property. Foreign investment in Korea is another source of technology, but foreign investment is declining and disinvestments are growing.

Financial liberalisation will help solve these problems. The country's antiquated and state-controlled financial system has led to the inefficient allocation of capital to industry, which is hindering economic development.

A deregulated capital market would eventually lower financial costs and improve corporate balance sheets, allowing companies to pursue such long-term goals as research.

But financial liberalisation will only be achieved through reform of the bureaucracy and politics. Officials have resisted giving up control of the financial system because it is one of the most important centralised powers the government still retains.

State control of the economy has amounted to a giant patronage system, with companies making contributions to politicians and bureaucrats in return for economic favours. Mr Kim's anti-corruption campaign is meant to weaken bureaucratic resistance to change.

But reform will not be easy because the bureaucracy has always played a strong autocratic role in Korea's Confucian society. The battle for democracy has now shifted from establishing a fair electoral system to diluting bureaucratic power.

One "wild card" factor that could derail Mr Kim's reform programme is North Korea. Few Koreans believe that Pyongyang's confrontation with the international community over nuclear inspections will lead to war.

But if the issue is not resolved soon, the UN could impose economic sanctions on North Korea, which could eventually cause its struggling economy to collapse. Seoul fears that possibility almost as much as war because South Korea would have to divert massive resources to reconstructing North Korea and consequently delay its own vital restructuring of industry.

■ THE ECONOMY

Growth target set at 6%

Most countries would have been happy with South Korea's GNP growth rate of 4.7 per cent last year. But South Koreans regarded the performance as being close to disastrous because it marked a 12-year low in economic growth.

Small wonder, then, that Mr Kim Young-sam, in an attempt to gain popularity during his first month as the country's new president, announced in March a stimulative package to show he was rapidly tackling economic problems. The government has set a 1993 growth target of 6 per cent.

The main cause of the economic slowdown last year was sluggish demand for Korean exports in its main overseas markets – the US, the EC and Japan – which were in the middle of a recession. At home, a tight monetary policy, which had been imposed to cool the overheated economy, dampened domestic demand.

The quick-fix economic plan proposed by Mr Kim included providing subsidised loans to small and medium-sized companies, which suffered a record number of bankruptcies in 1992.

Administrative rules hampering business investment were eased. A cut of 0.5-1 per cent in regulated interest rates, which caused commercial rates to fall below 10 per cent, was meant to boost fixed investments, which contracted by 5.3 per cent last year. The government also brought forward planned spending on infrastructure projects.

Mr Cho Soon, a strong advocate of the tight money policy, was dismissed as governor of the central bank and replaced by Mr Kim Myung-ho, who supported the government's decision to increase the money supply this year.

Critics, however, dismissed the plan as a panic reaction which would do little to solve the structural problems that are hampering the country's economic development.

The central problem confronting Korea's export-led economy is the loss of international competitiveness due to the rise in labour and production costs that followed the introduction of democracy and the growth of the trade union movement. Productivity growth has not matched wage increases. This development has coincided with increased trade competition from low-cost producers, such as China and the south-east Asia countries.

Some fear that easing credit curbs will rekindle inflation *Picture: Ashley Ashwood*

Korea needs to increase the development of higher value-added products, while reducing its dependence on labour-intensive light industries. But the necessary industrial restructuring is being blocked by an ossified and government-dominated financial system which is causing distortions in capital allocation.

Mr Kim's announcement that he was delaying proposed financial liberalisation measures – including interest rate deregulation, because it could adversely affect economic growth this year – increased doubts about the new administration's commitment to economic reform.

Instead, the new government appeared to be falling into the same "stop-and-go" pattern of economic policy that characterised the previous administration of President Roh Tae-woo, which boosted growth through state intervention when the economy grew sluggish and then applied the monetary brakes when the economy overheated in reaction to the stimulation measures.

"The number one priority of the new government is economic recovery. They are reluctant to do anything that would hurt that recovery," said Mr Lee Hahn-koo, president of the Daewoo Research Institute.

But some economists argue that the government should have given the stabilisation policy another six months or a year to work. They fear that loosening credit controls now will rekindle inflation just as it is about to be brought under control. Inflation fell from 9.3 per cent in 1991 to 6.2 per cent in 1992.

The government, however, argues that inflation will remain low because of proposed limits on prices and wages. Salaries for state employees have been frozen, along with charges for government services. The Korea Federation of Trade Unions has tentatively agreed to accept a guideline on wage growth of 5-9 per cent this year against 16 per cent in 1992. The nation's big conglomerates have promised to limit price increases on consumer products.

However, restrictions on wages could undermine the government's effort to stimulate the economy, which has relied heavily on domestic demand for growth during the past few years.

Low wage growth this year is believed likely to encourage consumers to save rather than spend, particularly when the economic outlook remains uncertain. Growth in private consumption has already fallen from 11.5 per cent in 1990 to 6.4 per cent in 1992.

The government hopes to revive industrial investment as a means to boost growth, but that tactic also looks uncertain. Many industries have cut back on investments because they are already burdened with excess production capacity after a feverish expansion of facilities between 1986 and 1991.

One indication of weak corporate investment demand is that the banks are finding it difficult to lend money to creditworthy borrowers for the first time in a decade despite falling interest rates.

There are worries, however, that companies may take advantage of the improved credit environment to expand into new business areas rather than make sound investments in facilities and research and development.

Instead of business diversification, "companies will need to become more efficient in order to regain their international competitiveness," according to the Seoul office of Barclays de Zoete Wedd. "The one risk is that the government's loose monetary policy may lead to... delaying the pain which many companies need in order to establish a sound business base."

Many private economists estimate GNP growth will reach only about 5 per cent this year because domestic demand will not significantly improve.

One bright spot, however, is the growth in exports. This is primarily the result of the Korean won's depreciation against the Japanese yen, which has boosted sales of vehicles, petrochemicals, semiconductors and ships. But rising exports also reflect the willingness of Korean producers to accept marginal profits on overseas sales to reduce the excess stock that has built up due to faltering domestic demand.

John Burton

■ ECONOMIC REFORMS

Government has retreated

WHILE the new administration of President Kim Young-sam has moved rapidly to introduce political reforms, it has made a slower start on promised economic reforms.

That emphasis on priorities reflects the Mr Kim's personal preference for politics instead of economics, a subject about which he readily confesses he knows little. Nonetheless, the new president has surrounded himself with economic reformers who want to reduce government control over the highly centralised economy and replace it with a structure based on autonomy and market forces.

The current system, which was once praised as a model for developing countries, is now criticised as outdated for Korea's mature economy. The government no longer appears able to guide industrial development efficiently. Instead, the bureaucracy's taste for micro-management is hindering a necessary restructuring of industry.

Mr Kim's administration initially appeared ready to make rapid changes when it announced in March that most lending rates would be deregulated this spring, while the practice of holding financial accounts under pseudonyms would be banned in an effort to combat tax evasion.

But the government almost immediately retreated from these promises, explaining that the measures would exacerbate the country's economic problems. Deregulation would drive interest rates higher, while the requirement to use real names in financial transactions would cause a flight of capital abroad that could result in a credit squeeze, officials said.

Similar arguments have been used by previous administrations in justifying the postponement of deregulation. The new government's reversal on these key reforms provoked doubts about whether it is committed to a radical restructuring of the economy.

Mr Suh Sang-mok, an influential ruling party MP, blamed administrative confusion among new policymakers for the stumbling start on economic policy.

"Economic reform is a critical issue. The Korean economy will be in disastrous shape if reform is postponed any further. The new government is committed to change," he said.

The true test of the government's commitment is its ability to fulfil the extensive list of reforms contained in the draft of its five-year (1993-1997) economic plan, which was released last month. The guidelines cover three main areas:

● *Fiscal policy.* The government wants to promote economic equality by increasing the share of the public paying income taxes from the current level of 46 per cent, while raising tax revenues from 19.4 per cent of GNP in 1992 to 22 per cent by 1997.

It believes it can achieve this, while lowering actual income tax rates. Instead, it will crack down on widespread tax cheating and close tax loopholes. It plans to curb speculation in property and securities by imposing tougher land taxes and introducing a capital gains tax.

However, the fate of the "real name" financial transaction system, which is considered instrumental in reducing tax evasion and eliminating insider share trading, remains vague. The government only promises to "create an environment conducive" to its introduction and plans to propose an action plan for its implementation.

Seoul: Restrictions on foreign exchange transactions will be eased *Picture: Ashley Ashwood*

The government, meanwhile, will cut its personnel costs and shift its budget priority from defence to improving the nation's infrastructure, which is now considered a bottleneck to industrial development. Spending will rise for roads, railroads, harbours, airports, storage facilities and water treatment.

● Financial reform, which includes easing state controls on the banking sector and reducing the government's role in credit allocation.

Most lending rates will be liberalised later this year, while almost all interest rates will be deregulated by 1996

Most lending rates will be liberalised later this year, while almost all interest rates will be deregulated by 1996. Restrictions on foreign exchange transactions will be eased, while regulations on overseas investment, foreign borrowings and local financing will be simplified or abolished. The central bank will be granted more independence to control the money supply.

The proposed reforms, however, threaten the survival of the banking industry, which carries a heavy burden of bad loans. The bad loans are the result of prior government policy requiring banks to give loans at low rates to strategic industries.

The reforms will force a reorganisation of the banking industry. Korea's 23 commercial banks will be encouraged to merge into bigger units and will be allowed to expand into other financial sectors to broaden their earnings base. Banks will also be granted more autonomy in managing their assets – and their presidents will no longer be appointed by the state.

● Industrial policy. The government has two main goals in industrial restructuring. One is to reduce the economic dominance of the nation's *large conglomerates, or chaebol,* while promoting the growth of small and medium-sized companies. The other is to boost research and development spending because Korea lacks strength in advanced manufacturing industries that offer export potential.

Credit controls on the chaebol will be abolished as part of financial liberalisation. But they will be replaced by tougher anti-trust laws to force the chaebol to concentrate on a few core businesses instead of operating a wide range of diversified activities. Institutional investors will be encouraged to increase their shareholdings in the chaebol to reduce the influence of the family owners that now dominate them. Restrictions on individual chaebol will be eased if the group has a wide shareholder base.

The government will cease targeting industrial sectors for support and protection, but will provide incentives for companies to increase R&D spending and conclude technical alliances with foreign partners to acquire technology.

These broad proposals, however, are already subject to modifications as the various government ministries negotiate in preparing a detailed blueprint for the plan that is due by the end of June. There is concern that the reforms could still fall foul of entrenched interest groups and other political factors that have stymied previous attempts at change.

"The new government has difficult economic problems because previous governments have deferred decisions on introducing reform," says Mr Sakong Il, a former finance minister and the current chairman of the Seoul-based Institute for Global Economics. "The one advantage this government has is that the environment to take tough decisions has improved because it has strong public support."

John Burton

■ RELATIONS WITH NORTH KOREA

Threat of confrontation

A YEAR ago, there was optimism that North and South Korea were on the path to reconciliation and eventual peaceful unification.

The two countries had signed a non-aggression pact and a non-nuclear treaty in December 1991. This was followed by North Korea's acceptance last spring of nuclear inspections by the International Atomic Energy Agency (IAEA) in an apparent attempt to dismiss suspicions that it was developing a nuclear weapon.

But relations since then have deteriorated to the point where the threat of a military confrontation on the Korean peninsula has become a frightening possibility.

The current crisis was sparked by North Korea's announcement on March 12 that it was withdrawing from the nuclear non-proliferation treaty (NPT), an action that increased worries that Pyongyang was determined to develop a nuclear weapon.

The roots of the crisis, however, can be traced back to Seoul's demand last year that North Korea accept challenge inspections of suspected nuclear facilities in compliance with the bilateral non-nuclear treaty.

Pyongyang refused the request, which blocked progress in inter-Korean talks. Seoul then adopted a carrot-and-stick policy. The carrot consisted of offering aid to help rescue North Korea's struggling economy if Pyongyang accepted inspections.

The stick was the resumption of the annual US-South Korean military "Team Spirit" exercise, which had been suspended in 1992 as a goodwill gesture in response to North Korea's signing of the non-nuclear treaty with the South.

Pyongyang has routinely condemned previous Team Spirit exercises as a rehearsal for a possible attack against North Korea. If the Pyongyang leadership seriously believes its own propaganda, this year's Team Spirit may have seem particularly alarming.

The holding of Team Spirit in mid-March occurred shortly before the expiry of a deadline set by the IAEA for it be allowed to inspect two unreported facilities believed to contain nuclear waste. Examination of the waste material might confirm IAEA suspicions that North Korea is producing more bomb-grade plutonium than it has declared.

Pyongyang then pulled out of the NPT, explaining it was doing so in response to Team Spirit and the IAEA special inspection demand, which it described as "a seditious political machination aimed at forcing us to open military objects and bases and thereby leaving us disarmed militarily." If it agreed to the IAEA inspection, North Korea would also create a precedent for accepting similar inspections by South Korea.

The NPT withdrawal caught off guard South Korea's new president who wanted a more flexible diplomatic approach to North Korea

Many observers concluded that North Korea dropped out the NPT because it feared that the IAEA was close to discovering that Pyongyang was indeed developing nuclear weapons despite denials. North Korea is committed to a producing a nuclear weapon because Pyongyang views it as the ultimate guarantee against the country's absorption by the South, according to these analysts.

The nuclear programme "would provide the means to bargain with the outside world for its acceptance of the permanent division of Korea," Mr Zbigniew Brzezinski, the former US national security adviser, said in Seoul recently.

But there have also been other explanations for the North Korean action. One is that it is connected to transfer of power from President Kim Il-sung to his son, Mr Kim Jong-il. The junior Mr Kim needed to create a crisis atmosphere to rally public support for his gradual assumption of power at a time of economic hardship, while winning the backing of the military, which is sceptical about his leadership ability.

Another theory is that North Korea is using its threat of withdrawal in a desperate attempt to win concessions for its return to the NPT. These could include gaining diplomatic recognition from the US and Japan, the right to inspect US military bases in South Korea, a promise by the US not to attack North Korea, and the permanent suspension of Team Spirit.

North Korea's diplomatic brinkmanship has paid dividends in the past. It successfully managed to avoid falling under the influence of either China or the Soviet Union, its Cold War patrons, by skilfully playing off the two Communist rivals against each other. Pyongyang possibly believed that a diplomatic gamble with the west could succeed now when new administrations were taking office in Seoul and Washington.

Recognition by the US and Japan may be Pyongyang's chief goal. This would reverse the diplomatic defeat North Korea suffered when Moscow and Beijing established relations with South Korea.

The NPT withdrawal caught off guard Mr Kim Young-sam, South Korea's new president, who wanted a more flexible diplomatic approach to North Korea. The current crisis has also set back hopes in Seoul that the problem of unification might be solved between the two Koreas without involving the regional powers, the US, Japan, Russia and China. That has been considered a desirable goal because it would symbolise Korea's autonomy in deciding its own fate after a century of being dominated by outside powers.

But South Korea is now relying on the US and China to intercede directly with Pyongyang to solve the NPT issue before North Korea's withdrawal formally takes effect on June 12. Seoul could see the issue slip further from its control as the UN Security Council becomes involved in the crisis, including possibly imposing economic sanctions on North Korea if it does not reverse the NPT decision.

Moreover, the crisis has exposed underlying tensions between Seoul and the US. Seoul favours a conciliatory policy toward Pyongyang because it fears that a hardline response could push the peninsula into war. It is willing to grant diplomatic and economic concessions if North Korea returns to the NPT.

The US is likely to adopt a tougher attitude on North Korea because it views the nuclear issue in a global perspective. It wants to prevent North Korea's permanent withdrawal from the NPT because it could encourage other nations to do the same. The US also fears that a renegade North Korea could provoke a nuclear arms race in north-east Asia, while becoming the supplier of nuclear technology to other anti-western nations.

But the Clinton administration, already preoccupied with other international crises such as Bosnia, may be willing to concede diplomatic recognition as the price to be paid for encouraging North Korea back into the treaty and accepting inspections from South Korea.

Whether North Korea would accept such a deal depends on its true intentions in provoking the crisis.

Even if the nuclear inspection issue is resolved, North Korea will remain an unstable place. North Korea's rulers face a painful and profound dilemma. They must open the country to economic reforms to prevent its likely collapse from growing shortages of food and fuel, but to do so could cause political instability that threatens the survival of the current regime.

John Burton

■ FOREIGN DIRECT INVESTMENT

A daunting task ahead

"The Koreans want only three things from us. They want our cash, they want our technology and they want us out."

The remark, from a senior western businessman in Seoul, contains a nugget of truth even if it is not wholly serious. It also illustrates a genuine and pressing problem for the Korean economy.

Historically, Korean industry's competitive edge was largely based on cheap labour. In the past few years, that advantage has disappeared. Korea now urgently needs technology to allow it to compete with the developed world. Generating that technology will take time. In the meantime, Korea needs to import it.

But when it comes to foreign direct investment, the Korean tradition is scarcely welcoming. "They're not very internationally minded", says Mr Alan Timblick, head of Barclays Bank in Korea. "A foreigner making profits is still seen as exploiting Korean workers. And they don't want to see the re-conquest of the peninsula by the Japanese by financial means."

The point is developed by Mr Sakong Il, formerly Korea's finance minister. "Korea was exceptional among most developing nations in that it relied principally on foreign-borrowed capital rather than equity. One reason was the experience of Japanese colonialism. There was a reluctance at the level of both government and firms to allow direct investment. Another reason is that Koreans are independent by nature. If two Korean companies agree to share technology, that's big news here.

"A third factor is economic. Korean companies had negative real interest rates, because of fiscal subsidies and high inflation. From the viewpoint of a Korean entrepreneur, if you allow foreigners to get equity you have to share those benefits. The government wasn't very accommodating for the same reason."

Most foreign involvement in Korean industry is in the form of joint ventures, which can be notoriously tricky in any country

Of late, however, the foreigners have started to get the message. Mr Jack Leber of Samsung Hewlett-Packard, co-chairman of the American Chamber of Commerce's investment committee in Korea, says: "Foreign investment has been down for the past four years and last year Korea was ninth out of nine countries for investment in Asia. You've now got $50m a day going into China and the Koreans can see that."

Mr Timblick says: "The Koreans are waking up to the foreign exodus. For the first time last year, more companies left than arrived. That affects their pride. It's one thing to be suspicious of foreigners raking in profits. It's another to be shunned. It's exactly what they don't need at a time when they *should* be upgrading their technology."

Most foreign involvement in Korean industry is in the form of joint ventures, which can be notoriously tricky in any country. Since the late 1980s, it has been possible for a foreign company to hold a majority stake in a joint venture, or even to own a Korean business outright. But, says Mr Alan Twist, head of ICI in Korea, "foreigners are forbidden to hold land, unless in high-tech industries. If you're a pharmaceutical company, you can build a plant. If not, you can own the business 100 per cent, but you can't build the factory. So in commodity chemicals, for instance, you'd still want a local partner – partly for market access, but mainly to get hold of a land bank."

Another advantage of having a local partner, says Mr Timblick, is that it brings access to the relevant trade association. "That's vitally important to market access", he says. A local partner will also be able to get hold of finance. "It's very difficult for a foreign company to persuade a Korean bank to lend. Even a big company has to go through the local branch manager, who never heard of you. That's changing a little bit, but the domestic banking system is still very unsophisticated."

But, says Mr Timblick, the history of joint ventures in Korea is not happy. "There have been far more divorces than silver weddings. A foreign manager will want to run his company according to criteria and accounting principles determined at head office level. The Korean partner is likely to argue that in Korea you don't go for return on capital but for market share, at least until you've eliminated your competitor. It gets worse when you find the manufacturing plant has outgrown the domestic market and the Koreans want to move into overseas markets".

Last year, a joint venture in vehicles between General Motors and Daewoo broke up for just that reason, with Daewoo buying out GM's 50 per cent holding.

Another commonly cited problem is the lack of protection for intellectual property. Mr Twist says: "The law on the statute books is now as good as anyone else's, but the policing is patchy. In the Confucian culture, the tradition is that the scholar talks to the people and that thought is free. The concept of ideas as property is not well understood by the people, and the government has a lot of trouble explaining that copying Gucci tracksuits or American software is a crime."

There is general agreement that the new government is making genuine efforts to encourage investment – "to liberalise 50 years of xenophobic constraints", as one executive puts it.

But it is not plain sailing. Mr Leber tells of how Cargill, the giant US food company, submitted an application to set up a soyabean processing plant in December 1988. "The local competition here made a 30-minute video to show how they'd be hurt by it", he says. "They finally got approval in January 1993. A similar application in Japan took only two years. Now they're considering whether China might be a better bet."

In any case, say the foreigners, the government is still only at the stage of removing barriers, rather than providing active encouragement. "The Koreans have to realise", Mr Twist says, "that their traditional approach of nibbling at a mountain of constraints is not good enough. China, Taiwan and Malaysia are offering incentives. Korea's just offering fewer disincentives."

Mr Leber agrees. "In the four years I've been here, the Koreans have moved, but others are moving faster. In China, things are moving fast and they're making it easy."

There is also disagreement about how fundamentally attractive Korea is in the first place. Mr Timblick says: "Korea used to be an area of great interest in this region as a way into China: it had cheap labour, a well-educated workforce and so on. But now that the Chinese are less regulated and growing so fast, Korea risks getting bypassed."

Mr Twist disagrees. "I believe people can't have a strategy for the Asian-Pacific region which excludes Korea. It's the second most advanced industrial nation after Japan. In pharmaceuticals, Korea has 50 per cent of the whole Asian market excluding Japan. Korea has very strong traditional cultural links with north-east China, and Beijing is just an hour away.

"And Korea has a resource of very skilled operators. They know how to make things like cars and computers. China doesn't have a skilled workforce. You can't control the joint venture. It doesn't have the financial system, or the legislation. It's still frontier land."

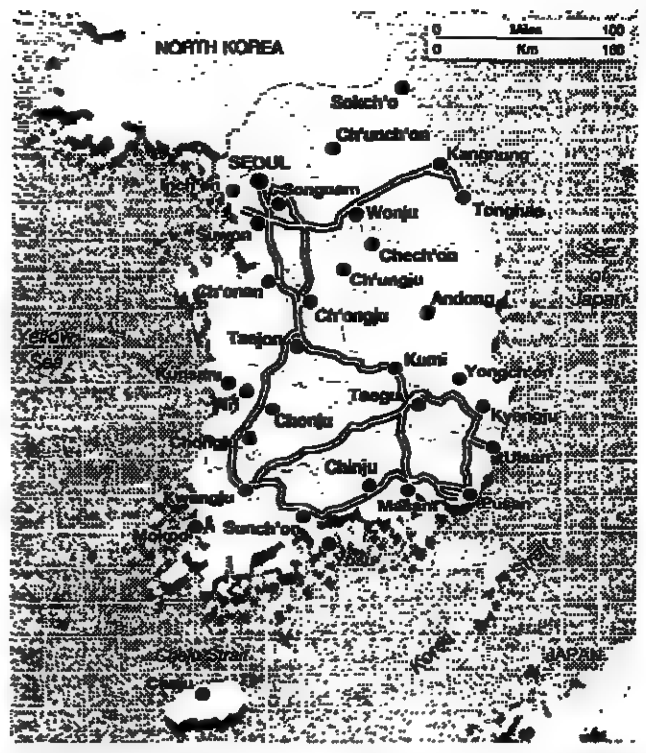
Either way, Korea has little choice but to make itself more attractive. It may even have to woo its traditional enemies. Mr Timblick says: "The government needs to change its mind on the Japanese. That's very difficult, and it's unclear how it can be brought about. But they need to be allies with the Japanese, which would be their salvation. They desperately need Japanese technology."

If the task sounds daunting, not every foreign observer is pessimistic about the new government's ability to tackle it. Mr Leber says: "They need to change, and that'll be a challenge. But I think they'll do it. They have in the past. And what's happened in the past few months is really remarkable."

Tony Jackson

Computers under construction on a Daewoo assembly line. Korea is the second most advanced industrial nation after Japan, says Alan Twist

Sakung Il: 'Korea was exceptional among most developing nations'



KEY FACTS

Area	98,445 sq km
Population	43.6 million (1992 estimate)
Head of State	President Kim Young-sam
Currency	Won (KW)
Average Exchange Rate	1991 $1=KW733.4 1992 $1=KW780.6

ECONOMY

	1991	1992
Total GDP ($bn)	282.9	296.4
Real GDP growth (%)	8.4	5.0
GDP per capita ($)	6,534	6,800
Components of GDP (%)		
Private Consumption	52.7	
Total Investment	39.1	
Government Consumption	10.6	n.a.
Exports	29.4	
Imports	-31.9	
Consumer prices: (% change pa)	9.3	6.2
Industrial Production: (% change pa)	8.7	4.5
Reserves minus gold: ($bn, Dec)	13.7	17.1
Broad Money growth: (% pa, average)	21.9	14.9
Govt Bond Yield (average % pa)	16.5	15.1
Stock Market* (% change over year)	-12.2	11.0
Current Account Balance ($bn)	-8.7	-4.4
Exports ($bn)	71.9	76.8
Imports ($bn)	81.5	81.7
Trade Balance ($bn)	-9.6	-4.9
Total external debt ($bn, Dec)	38.7	n.a.
Main Trading Partners (1991, % by value)	Exports	Imports
USA	25.8	23.2
Japan	17.3	25.9
Hong Kong	8.8	-

Notes: * = Korea Composite Index
Sources: IMF, Datastream, Economist Intelligence Unit

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■ CLAMPDOWN ON CORRUPTION

New president sets the pace

DURING his first three months as South Korean president, Mr Kim Young-sam has presided over a bloodless revolution of the political establishment that promises to transform the country into one of Asia's most democratic societies.

The sweeping changes initiated by Mr Kim, the country's first civilian leader in 32 years, are meant to eliminate the vestiges of the previous authoritarian system, while making the government more accessible and accountable to the public.

Mr Kim, a former opposition leader, has accelerated the pace of political reforms that began with the downfall of the military dictatorship in 1987 and were continued by his predecessor, Mr Roh Tae-woo, a former army general with a strong commitment to promoting democracy.

The changes he has introduced range from the symbolic, such as reducing the august trappings of the presidential office, to the substantial, including imposing firm civilian control over the military and curbing the domestic surveillance operations of the intelligence agency.

An anti-corruption campaign, however, has produced the biggest impact. Corruption is pervasive in South Korea because the centralised and authoritarian government structure allowed officials to wield considerable power and extract bribes in return for favours.

When Mr Kim recently ordered government ministers and MPs to disclose their assets, many were revealed to have amassed fortunes of several million dollars due to suspected corruption, including the use of inside information to engage in property speculation. The government audit agency, meanwhile, is investigating ministries for corruption, while senior bureaucrats will soon be required to reveal their wealth.

A prominent target has been the military, with former service heads and other senior officers accused of accepting bribes for promoting colleagues. There are also allegations of widespread corruption involving the procurement of weapons.

Four state-appointed bank presidents have been forced to resign because they demanded bribes for granting loans. Not even the respected education system has escaped unscathed, with administrators confessing they accepted bribes to allow students to enter universities without taking the entrance examinations.

The anti-corruption drive is considered the main weapon in reforming the bureaucracy by curbing its abuse of power. The exposure of corruption is meant to destroy the use of government as a patronage system.

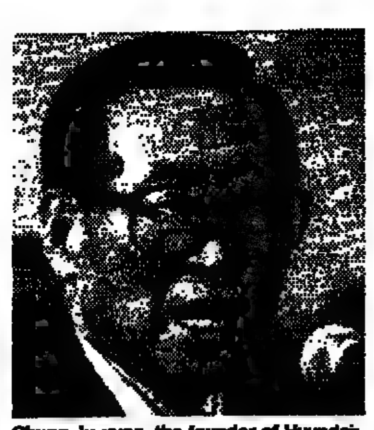
Mr Kim's advisers argue that by depriving bureaucrats of the opportunity to exploit their positions for personal gain, they will have less incentive to retain control. This will weaken bureaucratic opposition to other proposed reforms, such as economic deregulation, while promoting more equality between citizens and the state.

The new president has set an example by declaring he will not accept political contributions for the ruling Democratic Liberal Party in an attempt to break the corrupt relationship between government and business, which is the main source of donations. Business has welcomed the reform since an estimated 6 per cent of profits are paid as a *"quasi-tax"* to politicians to ensure favourable treatment in government decisions.

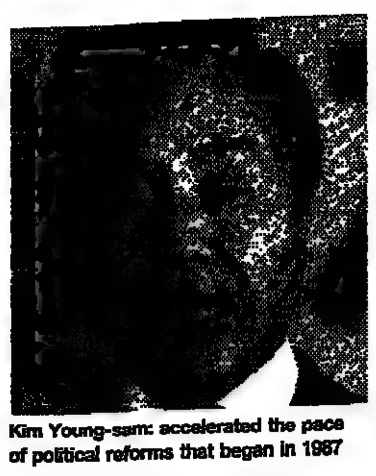
The military: some former service heads have been accused of accepting bribes

The anti-corruption campaign has earned Mr Kim immense popularity, with a 70 per cent approval rating. The anti-government student riots that were once a hallmark of Seoul in springtime have disappeared as long-time dissidents voice support for the new government.

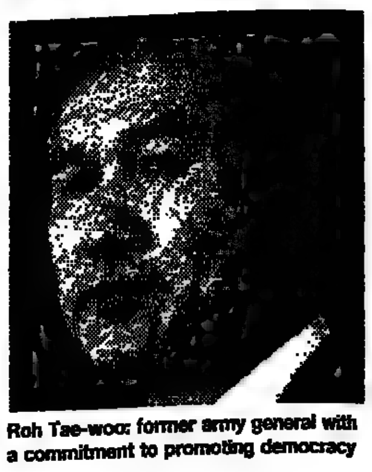
Mr Kim has also skilfully used the anti-corruption campaign to strengthen his political position. His opponents in the DLP, who are mostly associated with former President Roh, have been thrown on the defensive since they were forced to disclose their large personal fortunes. Several haves resigned their parliamentary seats, including the speaker of the National Assembly.



Chung Ju-yung, the founder of Hyundai: prosecuted for illegal election funding



Kim Young-sam: accelerated the pace of political reforms that began in 1987



Roh Tae-woo: former army general with a commitment to promoting democracy

The president's reform programme has also deprived the main opposition Democratic Party of a strong alternative message to attract voters. It was defeated decisively by the DLP in three parliamentary by-elections last month.

If any criticism can be made of the anti-corruption drive, it is that Mr Kim has used it to settle some personal scores.

The authorities, for example, are conducting an extensive tax audit of state-controlled Pohang Iron and Steel, whose former chairman opposed Mr Kim's presidential candidacy last year.

More significant has been the prosecution of Mr Chung Ju-yung, founder of the Hyundai business group, for illegal election funding in his presidential campaign against Mr Kim. The charges against Mr Chung forced him to abandon the United People's Party, the political group he financed, leading to its virtual collapse as the country's second opposition party. The DLP has been able to attract some defecting MPs from the UPP, increasing the strength of the ruling party to 170 seats in the 299-member National Assembly.

The aggressiveness Mr Kim has shown in tackling corruption has surprised most observers, who initially dismissed him as a politician of the old school despite his impressive record in opposing the military dictatorship.

Doubts about Mr Kim arose after he abandoned the opposition in 1990 and joined the ruling party in what was regarded as a nakedly ambitious attempt to become the government's presidential candidate in last December's election.

Some analysts now believe that Mr Kim's switching of political affiliation may be the source of his current success. "His reforms are based on a compromise between the establishment and the opposition, with Kim having a foot in each camp," says Mr Ahn Chang-ni, a professor of political science at Seoul National University.

But it is expected that Mr Kim will inevitably confront a backlash from the old guard threatened by the reforms, especially if his popularity weakens.

Mr Kim has already been forced to drop several ministers and a close aide who was leading the anti-corruption campaign after his opponents leaked information to the press about alleged ethical violations involving them. Moreover, questions remain about the sources of financing for Mr Kim's presidential election, which could prove embarrassing.

More practical considerations could also limit the extent of the anti-corruption drive. The government, for example, has delayed banning financial accounts held under false names, which are used to hide money from tax collectors, because this could lead to a flight of capital from the country.

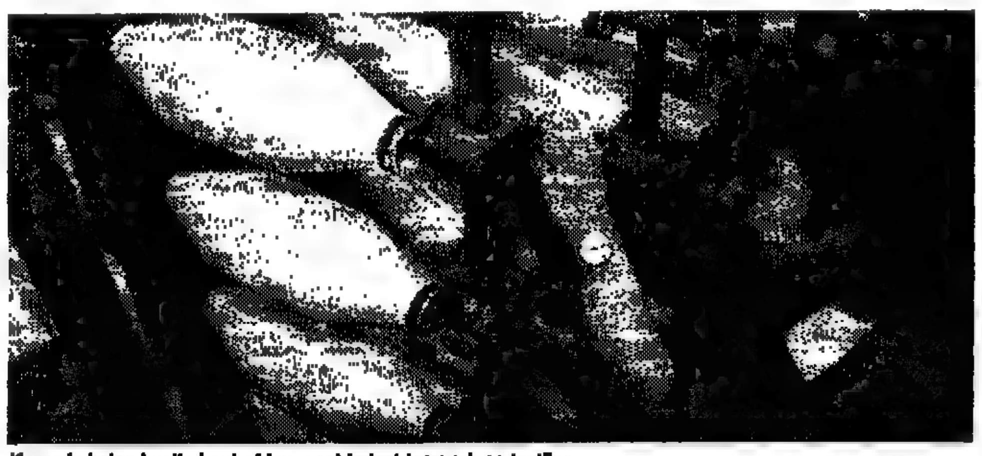
There is concern that the anti-corruption campaign is slowing decision-making among bureaucrats who fear being accused of corrupt practices. The probe into military corruption may also be cut short on the grounds that it is demoralising the armed forces, although a more pertinent reason is that Mr Kim does not want to provoke the military.

But Mr Kim also faces pressure from the public, which has come to expect a wholesale cleansing of government, to continue the reform process.

Having opened the Pandora's box on three decades of official corruption, the new president may have difficulty in closing it again even if it is prudent to do so.

John Burton

"In the past five years, our research and development has lagged behind wage rises. This is the principal reason for our deteriorating trade balance."



Korea is being hustled out of low-cost industries such as textiles Picture: Ashley Ashwood

■ RESEARCH AND DEVELOPMENT

Search for technology

Mr Kim Chul-Su, Korea's trade and industry minister, was scarcely exaggerating when he addressed foreign journalists last month. Korea badly needs technology to compete in world markets.

Foreign competitors are understandably reluctant to supply it, given Korea's reputation as an industrial powerhouse. But research is not Korea's strong point. According to one western analyst, the country's total expenditure on research and development last year was less than that of General Motors.

R&D is now high on the agenda of both government and industry. Mr Young Soogil, a senior economic adviser to the government, says: "For the past couple of years, the Ministry of Finance has been working on what we call the G7 project. There are 11 specific advanced technologies in which we'd like to be self-sufficient by the year 2010.

"We don't want advanced capability in most areas, but in niche technologies. The ministry's model is Switzerland, which is not an advanced country in terms of the spectrum of technologies but has unique capability in specific areas. This strategy would give us room for strategic alliances with other countries."

In other words, Korea is looking for bargaining power. This applies equally at the corporate level. At Samsung's Advanced Institute of Technology, outside Seoul, Mr Kang Jong-Hoon says: "In the 1970s and 1980s, we had to buy everything. All the technologies were coming from outside. We just assembled, using cheap labour, and re-exported to the US. That's not the paradigm any more. We don't have cheap labour or cheap materials. Since all our competitors are well aware of our situation, they don't want to sell us technology any more.

"Then, it was like an elementary school kid begging from an uncle. Now it's a high school kid. Some day, we want to be eye to eye with a company like Sony. But the key is bargaining for technology."

In the past, Korean companies have not always been scrupulous about intellectual property rights. In that respect too, life is getting harder. At Samsung Electronics' headquarters in Seoul, Mr Kim Hun says: "Technology transfer is getting harder. Companies around the world are finding business slow, so they are looking more closely at the value of their patents.

"A good example in our industry is Texas Instruments, which made more than half its money from its patents last year. The Americans and the Japanese are both pushing us into a corner on patents. That's why we have to have our own new technologies. Even if we have one single technology which the others don't have, that puts us in a better bargaining position."

But Samsung is at the sophisticated end of Korean industry. Whether the average Korean manufacturer can or should devote time and money to genuinely new technology is an open question. A western diplomat says: "Everybody is talking about high technology at present, but they can't actually get into communications technology or advanced materials. Their strengths will be more in the sophisticated end of shipbuilding or cars."

The Korean tradition is not notably inventive in terms of pure research. A senior British executive in Seoul says: "The Koreans don't have lateral thinking in their education system. And their R&D establishments are commercially funded, so perhaps too targeted. Maybe the Koreans should send more people to British universities."

One of those commercially funded establishments is the Institute for Advanced Engineering in Seoul. The Institute, which was set up last year, aims to combine industrial research with running a graduate school for PhD students. It is funded by Daewoo, one of the nation's large conglomerates, and works almost exclusively on Daewoo projects.

The Institute's president, Professor Chung Kun-Mo, ticks off some areas of interest: car engines, heavy water nuclear reactors, manufacturing technology in shipbuilding and earth-moving equipment. Most of the list sounds like intermediate technology, of a kind which the new government has recently been recommending to industry.

Professor Chung does not wholly accept this. "The point is synthesis. The government's emphasis on intermediate technology has a lot of merit, but it's often misunderstood. What we're talking about is highly sophisticated technology in sectors where intermediate technology has been used traditionally."

Take, for example, steelmaking. "A traditional steel mill is intermediate technology. But you can employ all kinds of laser technology, for instance, and microsecond diagnosis of the product."

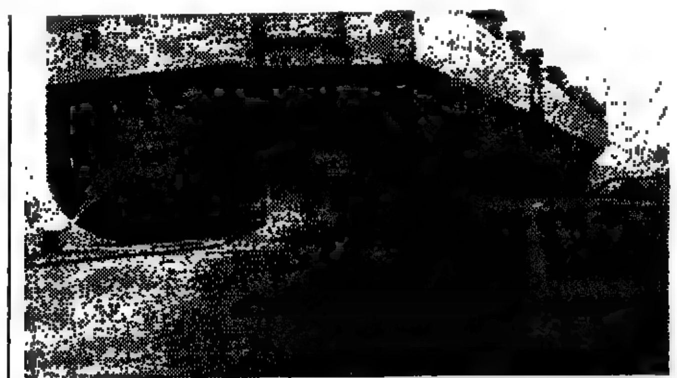
Or take textile manufacture, where Daewoo is heavily involved. "Nobody yet knows how to use micro-electromechanical devices here, but we're working on it. You can use sensors to determine the thickness of a thread, but when it comes to speed it has to be controlled by experience. It should be possible to control that through local sensors.

"Or take engines. At how many points of an auto engine do we use sensors? There could be a lot more diagnostic sensing used on a continuous basis, to improve engine efficiency. If we can make cheap diagnostic sensors and control mechanisms, we can produce a much more efficient engine from existing types. Some scientists want to go to the laboratory and start from scratch. We say, let's make money by improving those industries which have been milk cows for us in the past."

Understandably, there is a defensive undertone here. As a newly high-wage economy, Korea is being hustled out of low-cost industries such as textiles, and is naturally anxious to slow down the process. But there are some industries – notably electronics – where the tone is more aggressive.

At Samsung's research laboratories, Mr Kang says: "There are areas where we lead the world: in the digital video disc recorder, or in some fields of semiconductors." But despite individual successes, Mr Kang is realistic about the task ahead. "In semiconductors or flat display panels, we have a gap of one or two years. In product design, or making things that are compact, look good and work well, we've got a lot to do. The problem is that as a young company, we had to concentrate on the hot technologies. To excel, you need to be good at everything."

Tony Jackson



Hyundai cars being loaded for shipment to the US Picture: Ashley Ashwood

■ PROFILE: Hyundai Motors

A force to be reckoned with

HYUNDAI MOTORS is one of the success stories of Korean industry. Its name is one of the very few Korean brands known to western consumers. It makes more than half the cars on Korean roads. It is perhaps the only Korean car maker capable of holding its own in world markets.

But Hyundai's success is, like so much else in the Korean economy, the product of government planning. Japanese cars are banned entirely from the Korean market and other foreign cars carry prohibitive tariffs. In 1981, the government decreed that passenger cars should be made by only two companies, Hyundai and Daewoo. Given those two factors and a tenfold increase in Korean car ownership in the past decade, it would have been hard for Hyundai to fail.

The going is getting tougher. According to Mr Don Lee, motors analyst at BZW in Seoul, growth in the Korean car market this year could be a mere 11 per cent, after an average 40 per cent in the previous five years. And the government has relaxed restrictions on other Korean companies entering the market. The total is now seven, a number which in the long run is plainly insupportable. Most worrying for Hyundai is the fact that Samsung, perhaps the most formidable of all the big Korean conglomerates, may also soon be allowed to make cars.

But Hyundai is a force to be reckoned with. Like all the other Korean car makers, it has historically depended on Japanese technology. But this is changing. Uniquely among Korean manufacturers, Hyundai has reached the stage of making its own engines.

According to Mr Lee Chung-Goo, vice-president and chief engineer of Hyundai Motor, Hyundai is technologically self-sufficient, except for engines and transmissions made under licence from Mitsubishi. But its new family of engines, the Alpha range, has already been introduced into one model, the Scoupe. The target is to put Alpha engines into the rest of the range by 1995.

Nevertheless, Hyundai is some way off matching Japanese standards. In the US market, its cars are a byword for poor quality, chiefly because of disruptive union disputes at its Korean plant in the late 1980s.

"I'm not satisfied with our efficiency", Mr Lee says. "Our union problems started from 1986 and our workmanship is still not as good as it was before then. Previously, the workforce had a hungry spirit. Now they think they can get by, so they're not so accurate as they were in assembly work. Rejects are still much worse than in 1986."

Meanwhile, he says, the Japanese have not been standing still. "On hardware and the lines themselves, we have invested in higher productivity, and our latest plant is very close to Japanese levels. But though our average quality standards are not so far from the Japanese, the tolerance is too big. So customers complain. We need a campaign in the plant to improve that."

Another crucial advantage enjoyed by Japanese carmakers is their domestic supply of components. This is not merely a matter of quality and innovation. Component supply is central to the Japanese system of lean manufacture whereby inventories are squeezed out of the system and costs held down.

"We have many disadvantages when it comes to subcontractors", Mr Lee says. "According to Japanese studies, even if a manufacturer like Hyundai could catch up with the Japanese, their sub-contractors are 10 or 20 years behind. The big developments of the future will be in electronic components. Japan has suppliers like Nippondentsu and Hitachi – big companies which can support the R&D. In Korea there are almost none. In things like navigation systems, the Japanese sub-contractors are ahead of the manufacturers. No Korean company is even thinking in those terms."

At present, Mr Lee claims, only 2 per cent of the value of Hyundai cars is imported. "But I'm worried about the future. Most Korean suppliers are close to Japanese standards in hardware terms, but not in terms of human resources. Their organisation and systems may appear close to Japanese standards, but they are behind in management terms, especially when it comes to quality levels."

Despite the problems, Hyundai has ruled out the idea of manufacturing abroad. Its plant at Ulsan, on Korea's south-east coast, is the biggest single vehicle manufacturing complex in the world. The area – some 4.8m square metres – is now fully occupied. In three years, Mr Lee says, more capacity will be needed. Within the next month or so, the decision will be made on where to put it.

It will certainly be in Korea. There are several reasons for this. The Korean market is of paramount importance, as are – for better or worse – the existing links with suppliers. And a new plant will be for a new model, which as a matter of principle will be tried first on the Korean market.

And, says Mr Lee, there is a cultural reason. "The Koreans are hot and emotional people, as opposed to the Japanese who are cold and analytical. That can lead to management problems in working overseas."

Hyundai's one experience of overseas manufacture has been traumatic. In 1983 it set up an assembly plant at Bromont in Canada. As a way into the US market, it proved wildly premature. According to outside estimates, the plant is now working at only 30 per cent of capacity.

"The Bromont story hasn't been happy", Mr Lee says. "We're presently investing in China, Thailand and Egypt. But these will probably be joint ventures where we supply parts only. In Europe and America, it will take a long time. China has cheap labour and market growth. In Europe, labour costs are higher, and the management needs to be different in philosophical terms from the Oriental model."

All the while, there is the recurring threat of excess competition in the Korean market. "In my personal opinion", says Mr Lee, "while Japan has reconstructed its industry through quasi-mergers, Korea is going the opposite way. That's very dangerous. I don't think mergers will be possible. All the manufacturers are from strong groups, and the owners all have strong characters. And while in the past the government could force mergers, with democracy that's harder than before."

There is another, more radical threat. Cars are one of about 30 items covered by the Korean government's so-called Import Diversification Policy, which is a polite term for banning Japanese goods from the Korean market. This is officially justified by reference to Korea's chronic trade imbalance with Japan. In reality, it has more to do with the deep-seated fear that in free market conditions Japan, the old colonial power, would re-establish its dominance by economic means.

The government's economic advisers argue that this is incompatible with Korea's membership of the international free trade system, and that the barriers will have to be dismantled within the next few years. How politically realistic this is remains to be seen. But, as Mr Don Lee of BZW says: "In terms of technology and global competitiveness this is a very important time. The Korean car companies have to develop their own technology and improve their overseas marketing in the next couple of years if they're to compete globally. Hyundai is going that way. As for the other companies, I'm very concerned."

Tony Jackson

■ PROFILE: Posco

Perplexing facet of industrial miracle

The Pohang Iron & Steel Company (Posco) illustrates to perfection the perplexing nature of the Korean industrial miracle.

The company was set up by the government in 1968 as part of a hugely ambitious plan to make Korea a global force in heavy industry. It was headed from the outset by a career army officer who ran it – with massive government backing – on strict military lines. Last year, when the new democratic government took over, he abruptly resigned.

It sounds a classic story of Third World grandeur gone wrong. The reality is quite different. Posco is the world's third-biggest steel producer, behind Nippon Steel of Japan and Usinor Sacilor of France and ahead of British Steel. The French and British companies have recently announced heavy losses while Nippon Steel has forecast a collapse in profits. Posco, a decently profitable company with a conservative balance sheet, increased its net earnings last year by more than a quarter.

Then again, Posco's rivals do not have its domestic market. The Pohang mill is less than an hour's drive away from the world's biggest shipyard and the world's biggest car plant. Demand for steel in Korea is slowing. But according to Mr Chung Tam, a steel analyst with the broking firm BZW in Seoul, it should still grow at about 10 per cent a year for the rest of the decade. "Demand for steel has always outpaced supply in Korea", he says. "That's expected to continue."

Posco is not necessarily counting on it. Last October it completed its second steel mill – again, the world's biggest – at Kwangyang on Korea's south coast. But Mr Chung Myung Sik, Posco's chairman, says: "The phase of rapid steel expansion is already over. We're not going to build any more steel capacity in Korea."

Instead, Posco will continue its recent policy of diversifying into areas as remote as telecommunications, construction and agrochemicals. In this, it is imitating its Japanese rivals. But they are driven to it by the need to employ their redundant steel workers. They are also for the most part losing money in their new activities. Posco is not under the same obligation.

There is another paradox. Korea's big conglomerates, the *chaebol*, are under pressure from the government to focus their activities more closely. Posco, a highly-focused company still largely controlled by the government, is going the other way.

"We believe", says Mr Chung, "that we should enter areas where we have expertise. Our cash flow is substantial and we have large manpower resources and an extensive R&D capability. We're looking for areas to utilise our capital, our manpower and our technology."

But what does a steel company know about telecoms, for example? Plenty, says Mr Chung. Posco has its own very large and sophisticated communications system. Or construction? "We have our own highly developed construction and engineering management team. Their capacity far surpasses any other company in Korea. If we don't use them, they'll wither away."

So how far will the balance shift away from steel in the long run? "We don't have a specific goal or time-frame. But steel is presently 95 per cent of our turnover. It would be quite realistic to see it coming down to 70 per cent by the end of the century."

The other question which looms large for Posco is its relationship with the government. Last October, the founder, Mr Park Tae-Joon, resigned abruptly. His successor as chairman was then voted out at the AGM: and the chief shareholder is the government, which still owns 35 per cent of the shares and controls another 20 per cent or so through the banks. Then the government, in a familiar Korean tactic, sent in the tax authorities for the first extensive tax audit in Posco's history. Is Posco the subject of a witch-hunt?

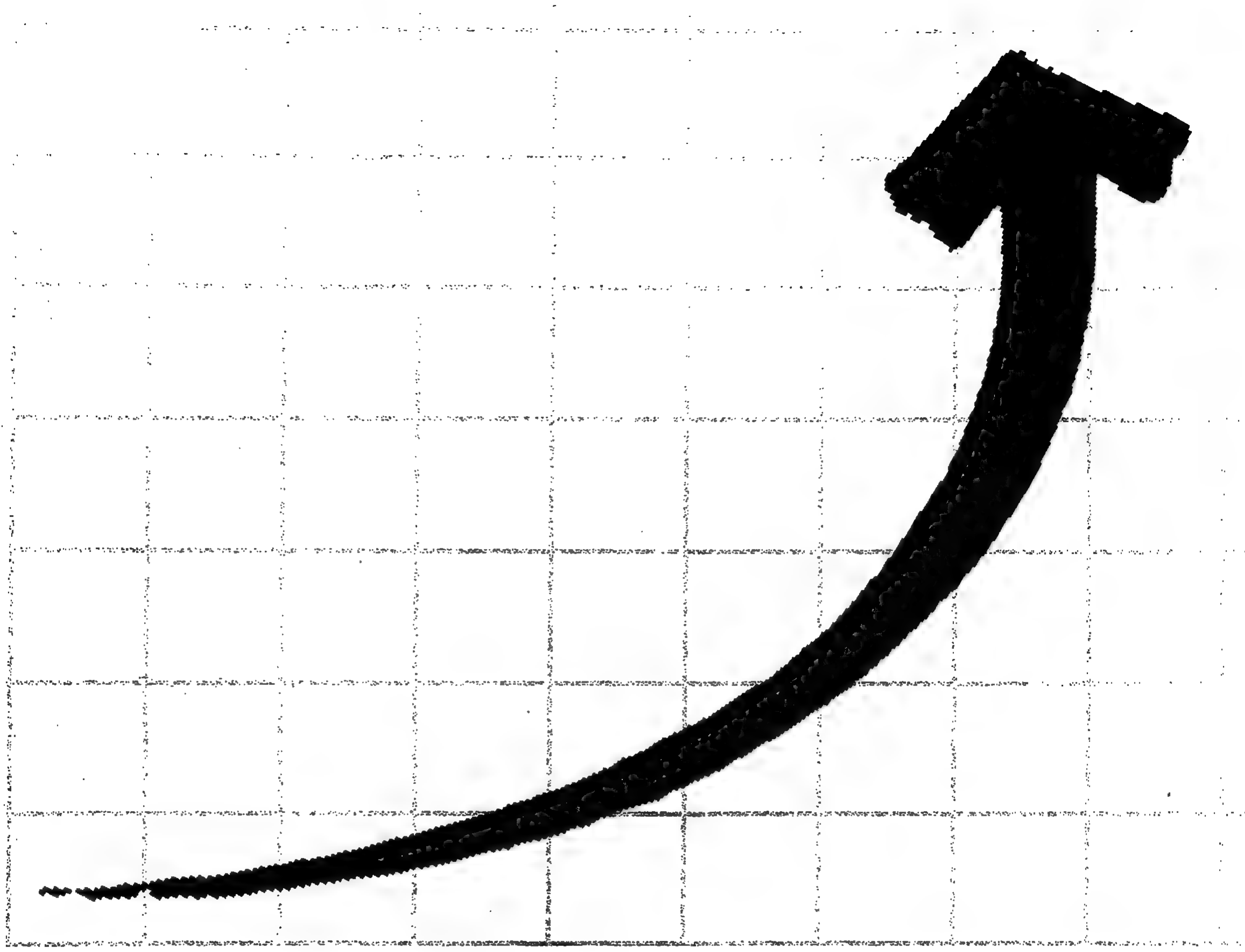
Absolutely not, says Mr Chung. "That's unfounded speculation, and misleading. Clearly, our former chairman was involved in politics. But if this tax audit is exhaustive, and clears the company, it could be what the company needs. It's only a three-month survey of our tax position. Others have been longer, and we're a big company. I'd urge the tax authorities to take as much time as they need."

Has there been any change in management strategy? "The long-term policy of not growing in volume steel was already there. There's no basic change in that. But in the way the company is managed, there will be substantial change. The first 25 years saw a continuous expansion of the corporation. The management style was top-down. In the next 25 years, the present management think we need fuller utilisation of the manpower which constitutes the company. We will change away from the military-style leadership of the past. We have reached the stage where that emphasis on leadership is counter-productive. The company needs to be more creative and participative. There has been a feeling among the workforce that creative thinking has been stifled and that participation has been blocked off. We need to use that potential."

All this is put in context back at the Pohang mill. A senior executive criticises the workforce for its insubordinate attitudes. Why, he says, they have even started objecting to wearing off-duty uniforms on their way to and from work. Clearly, if Posco wants to shed its military image, it has some way to go.

Tony Jackson

Change Your Curve by Shaking Hands with **Ssangyong**



Based on its total reliability since its founding in 1939, Ssangyong has grown into a global enterprise with total annual sales of US$ 14.2 billion in 1992. And Ssangyong's curve continues to soar impressively.

This is reflected in its outstanding results, including trade relations with over 120 nations, a domestic leader in international brokerage commissions, and the completion of over 7,000 deluxe hotel guest rooms around the world.

Furthermore, our partners, Mercedes-Benz of Germany in a capital and technical cooperation project and Saudi Aramco of Saudi Arabia in a capital venture, can tell you about how we are doing.

Once you meet Ssangyong, your future will also dramatically improve.

Once a Ssangyong partner, always a Ssangyong partner.

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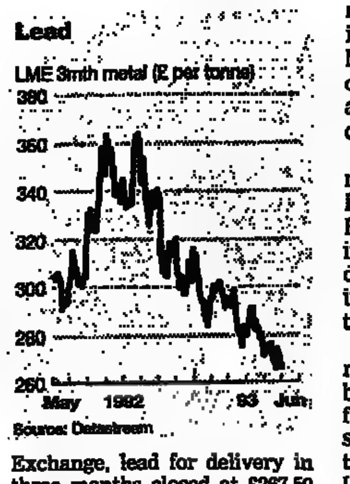
Lead prices steady as two more smelters cut output

By Kenneth Gooding, Mining Correspondent

TWO MORE lead smelters announced production cuts yesterday, forced on them by prices that in real terms are the lowest on record. Analysts pointed out that, in recent weeks, refined lead producers had ordered annual cuts of between 160,000 and 200,000 tonnes, and such moves were bound to have an impact on market sentiment and prices before long.

"Western lead producers have finally capitulated. They are having to stand aside to make way for metal from the former eastern bloc," said Mr Nick Moore, an analyst at Ord Minnett, part of the Westpac banking group.

However, yesterday the market seemed unimpressed as Nuova Samim, the Italian state-owned group, said it would close its Portovesme smelter for two months at a cost of 30,000 tonnes of production, and MIM Holdings, the Australian company, said it would cut 3,000 tonnes from output by shutting secondary (scrap) furnaces at its Britannia Refined Metals plant in Northfleet, UK.



Source: Datastream

On the London Metal Exchange, lead for delivery in three months closed at £267.50 a tonne, up only £1.75, and that rise almost exactly reflected the day's fall in the value of sterling against the US dollar.

Mr Moore suggested: "The market is sometimes a bit of a dinosaur. You bite its tail and it takes a while for the message to reach the sharp end."

He pointed out that the price was equivalent to roughly 18 US cents a pound - well below the 30 cents required to encourage new production capacity. "This is an anomaly that can't be sustained."

In recent weeks, lead smelter production cuts have been made in Canada by Cominco, in France and Germany by Metaleurop and Metallgesellschaft, in Sweden by Boliden and in Japan by a number of companies.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, insisted that cuts in lead production were likely to have an impact much more quickly than cuts in zinc.

"When demand from the US replacement battery sector begins to pick up over the next few months, we might well start to see the lead market tightening, particularly in the US," he said. "Although there might not be a marked resurgence in prices, we are certainly less pessimistic for lead in the second half of this year than we are for zinc or, indeed, for other base metals."

Last year, the lead market was shocked by a huge increase in net imports from the former eastern bloc, up from 63,000 to 173,000 tonnes. The rise left the market with a 163,000 tonnes supply surplus, according to the International Lead and Zinc Study Group. In the first quarter of 1993 there was a surplus of nearly 50,000 tonnes.

Russia's private farms still a rare breed

Removing state control from farming is proving a slow process, reports Gillian Tett

SIX MONTHS ago Mr Anatoly Chibatkov, a 52-year-old state farm director from Russia's grain-growing region of Volgograd, decided to leave the state farm and set himself up as a private farmer. So he bought himself a shiny, red tractor, applied for a plot of land - and then plunged into a conflict that has not only split his village of Gorodizhe, 30km outside Volgograd city, but is dogging many of Russia's farming regions.

"The situation here is like an agricultural battle," said Mr Chibatkov, as he bumped along in a battered jeep over the land that he has now finally wrested from state control.

By all accounts it is a battle that is being fought across much of Russia's vast terrain, as the republic attempts to introduce market economics into its huge and inefficient agricultural sector.

In the two years since Russia embarked on its programme of agricultural reform its farming community has been deluged with new legislation and directives. These have had three main prongs. First, a drive to distribute former state land to new small, private farmers; second, an attempt to reorganise the huge state farms that have dominated Russian agriculture since collectivisation in the 1930s; and third, an attempt to break down the monopoly of the state distribution networks that supply farms with inputs and sell their produce.

Seen from the Moscow offices of the Russian agriculture ministry, the statistics, so far, have been significant. In the past 18 months the number of private farmers in Russia has risen from a few hundred to nearly 250,000 and is predicted to reach a third of a million by the end of the year.

At the same time, some 23,000 of the 26,000 state farms have officially reorganised themselves into shareholding companies or co-operatives. And though statistical information on the agricultural distribution networks is sparse, the appearance of new grain exchanges and small private shops across Russia suggests that, in some areas at least, the old state monopolies are being whittled away.

Meanwhile, with the 1992 net grain harvest some 10 per cent higher than in 1991, most agricultural officials are now confident that the decline in Russian agriculture has been halted, if not yet reversed.

"Reforming the agricultural sector in Russia is harder than any other industrial sector, because it has traditionally been very conservative," says Mr Valentin Denisov, head of agrarian policy at the agriculture ministry. He believes that, in spite of "many existing political conflicts", market reforms are here to stay.

But out on the farms scattered across Russia, the message is rather more mixed.

Although the move to private farming has been the initiative that has so far attracted the most attention from the media and the West, private farmers still control only a tiny proportion of farming land and produce a mere 3 per cent of the overall commercial agricultural produce.

Meanwhile, in the sector where reform will ultimately be most crucial - the huge state farming sector - "reorganisation" has sometimes been little more than a renaming exercise. And although it is hoped that competition from private farmers might eventually infect the state farms with some entrepreneurial zeal, many state farms have become distinctly anti-market in their outlook as their brightest and most energetic specialists have left to set up their own private farms

The story of Mr Chibatkov would seem to be a case in point. Eighteen months ago he decided to turn his 7,000 hectare (17,000-acre) grain and livestock farm into a joint stock company. So the state property was "given" to the farm, shares distributed to all the farm workers - together with guarantees of future dividends - and attempts made to reverse declining production. at the farm.

But within a year his workers were in revolt. Fed up with the new working regime and paper "shares" that had failed to provide the promised dividend, they voted to oust Mr Chibatkov and turn themselves into a co-operative.

In practice, this meant running the state farm much as before - although each of the 2,000 villagers was given "rights" in a piece of land, the farm director continued to manage the land.

"We are trying to make the workers' brigades become financially self-accounting, but this has been difficult," explains Mrs Tatiana Chuchmanova, the farm accountant.

At this point Mr Chibatkov, together with two dozen of the youngest and most energetic villagers, used their new "legal rights" to apply for land and machinery from the farm. The farm, reluctant to recognise this new "law", refused to give them equipment - but after a long battle finally gave them 21 ha of land each, ready for the the winter ploughing.

Barring any political turnabouts, they should now survive to the end of the year. Although the plots of land they received were too small to be viable as independent farms, they persuaded some of the other villagers to lease their state farm land and now have 90 ha. "Ideally we would need three times more," Mr Chibatkov says.

At the same time, by setting up an equipment pool with five other farmers and using the contacts and know-how he gained as state farm director, Mr Chibatkov has acquired seed, credit and equipment. The local factories in Volgograd have sold his pool four tractors and two trucks, the local bank has given them a five-year loan, and the local agricultural research institute has provided them with some 100 tonnes of seed.

But by all accounts Mr Chibatkov has been one of the luckier ones.

Over in the agricultural Russian republic of Mordovia, for example, the picture for the republic's private farmers is considerably bleaker, not least because the local government is now locked in conflict between a reformist government, which supports land reform, and a conservative parliament, which is opposed to it.

Mr Ivan Zavetkin, a farmer in the Mordovian village of Chamsinka, for example, set himself up as a private dairy and grain farmer several months before Mr Chibatkov. But with no tractor factory in Mordovia and no powerful contacts in the local government, he is still struggling to get access to the equipment he needs.

The local agricultural bank says it has not received enough cash from Moscow to provide credit. The local state farm is insisting that it will only sell him grain seed if he sells most of his harvest back to the farm at reduced prices. And Mr Zavetkin's attempts to set up an equipment pool with the other farmers have failed, because their land is too widely scattered.

For the moment Mr Zavetkin and his colleagues insist they have enough pigs and cows to survive, even if they are unable to sow their grain.

But the dairy operation also labours under special difficulties. "Private farmers have to sell their unpasteurised milk themselves in the market, or sell it to the state farm at very low prices," explains Mrs Tamara Tureneva, Mordovian welfare minister. She says her attempts to set up a private milk factory have been foiled by local state farm "Mafia".

For the moment, farmers like Mr Chibatkov remain fairly optimistic. "We have our land, our seed and our tractors - we are ready for the market," he says cheerfully. But the next - and ultimately most important - struggle will be persuading the local state farm that it should get ready for the market too.

Lihir stake offer brings confusion

By Kenneth Gooding

CONFUSION REIGNED yesterday over the controversial Lihir Island gold deposit in Papua New Guinea, the largest undeveloped deposit of its kind in the world, after the Malaysian Mining Corporation said it had been invited by the PNG government to take a 20 per cent stake in the US$700m (£451m) venture.

However, RTZ Corporation, the world's biggest mining company, which owns 80 per cent of the project, greeted the news frostily and suggested that MMC was only one of several corporations that might be interested in a stake in Lihir.

Some analysts said MMC's statement was probably connected with the political pressure being applied by the PNG government, which has been demanding that RTZ go ahead with the project as quickly as possible.

Mr Masket Iangalio, PNG's mining minister, is in London today for further discussions with RTZ. An RTZ official pointed out that the Lihir joint venture company announced only last week that substantial progress had been made in talks with the PNG government and that only a few outstanding issues remained to be resolved. "We would not be having discussions with the government unless progress was being made," the official said.

RTZ, which has indicated that it wants to reduce its shareholding in Lihir below the 56 per cent it will be left with after the PNG government acquires 30 per cent, said it was talking directly to other interested parties.

The junior partner in the joint venture is Niugini Mining, which discovered Lihir. It will have 14 per cent after the government takes a stake. Niugini's parent, Battle Mountain Gold of the US, does not want Niugini to buy the 20 per cent RTZ is offering.

The PNG government gave RTZ until May 20 to find another partner and said it would temporarily take 50 per cent of the project in order to to speed up the funding process.

One analyst pointed out: "Obviously RTZ would prefer to find its own partner rather than have the PNG government do it."

Lihir, in the crater of a dead volcano nearly full of very hot water, has resources of 42m troy ounces of gold and is expected to produce 628,000 ounces annually in its first 13 years.

Forecast improves for Australian wheat

THE AUSTRALIAN wheat crop will be 14.58m tonnes in the year ending March 1994, according to the latest prediction by Australian Wheat Forecasters, a private forecasting agency, Reuter reports from Melbourne.

AWF's new figure is up from the 13.83m tonnes it estimated last month but still well below 1992-93's harvest of 15.33m tonnes.

"Over the past month the main development has been the frequent and heavy rains that have fallen in Western Australia," the agency said, adding that a series of four periods of rain since April had allowed growers to prepare fields and sow seed grain in Australia's biggest wheat producing state.

Caribbean banana producers attack Gatt challenge

By Canute James in Kingston

CARIBBEAN banana producers have attacked a plan by five Latin American exporters to have a panel of the General Agreement on Tariffs and Trade examine the European Community's new import regime, which becomes effective on July 1.

The attack is part of the Caribbean producers' continuing war over access to the European market.

At a meeting in Kingston, Jamaica over the weekend, trade and foreign ministers from the Caribbean and Latin America discussed their divergent positions on the marketing of the fruit. "The discussions were frank," said Mr Charles Maynard, Dominica's foreign minister. "We explained our position, and they explained theirs."

Latin American delegates to the conference said they were "encouraged" by last week's ruling by a Gatt panel that the EC's current banana import regime unfairly limits Latin American exports. "This is a clear indication that new rules must be based on free trade," one Latin American official said.

"The proposed EC regime will also be contested and I have no doubt that the tendency towards free trade will prevail."

Caribbean and other producers from the African, Caribbean and Pacific group of countries are seeking protection for their market share in Europe and fear competition from cheaper Latin American fruit.

The EC's agriculture ministers have proposed that from July there will be a quota of 2m tonnes a year for Latin American fruit, and that the quota will attract duty of Ecu100 (£78.8) a tonne. Imports of Latin American fruit above that level will attract a duty of Ecu850 a tonne.

Caribbean and other traditional suppliers such as those in Africa will have access for the remainder of the Community's needs - which traders say amount to about 1.5m tonnes a year - and will pay no tariff.

However, Caribbean delegates to the conference feared that the conclusion of last week's Gatt panel could influence Gatt council discussions on the banana trade, which are to take place in a fortnight and also in the middle of next month.

This, and the attempt by the Latin American producers to have a second panel discuss the new regime, is regarded by the ACP group as a threat to the arrangement and to their market.

"All of this is quite prejudicial to our economies," Mr Maynard said. A statement by the Caribbean Community Secretariat said the region considered the Latin producers' attempt to have a second panel rule on the new regime "as being particularly unjustified.

"The Caribbean banana producers have 3 per cent of the world banana market and constitute absolutely no threat, neither to the Central American states, which supply some 38 per cent, nor to the other Latin American banana producing states which supply some 57 per cent," the statement said.

Latin American delegates said they "understood and sympathised with" the concerns of the ACP producers, but stressed that they too had fragile economies to protect and new markets to develop. "We should not have to pay a price for being efficient producers," one said. "The rules of world trade must be respected by all, including the European Community."

Such is the polarisation of positions on access to the EC that ministers spent the first morning of the Kingston conference arguing over the place of bananas on the agenda. Latin American ministers did not want the matter raised while their Caribbean counterparts threatened to abort the conference if it was not discussed.

The conference communiqué was terse in describing the nature of the debate. "The ministers thoroughly and frankly discussed the problem of bananas," it said.

WORLD COMMODITIES PRICES

MARKET REPORT

This week's retreat in the precious metals market yesterday took the GOLD price to the lowest level since the middle of last month. After seeing the metal slip to $370.25 a troy ounce, adding $5 to Tuesday's $4.50 fall, some traders were suggesting that a test of support in the $366 area might be on the cards. "It all depends on New York," one dealer said. PLATINUM found the going even tougher and surrendered $14 to reach $382 an ounce at the afternoon fixing. Some analysts, seeing this as an overdue technical correction, prompted by the failure on Tuesday to push through resistance at $400 an ounce, expected the upward trend to be resumed soon. SILVER ended 19 cents lower at $4.41 an ounce, but some dealers saw that as a surprisingly robust performance. They had expected support at $4.35 to give way, allowing the price to slide to about $4.10 an ounce. At the London Metal Exchange sterling's weakness helped the COPPER market to rally and the cash position closed £19 higher at £1,166.50 a tonne. Higher-than-expected US housing start figures also encouraged buyers.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$16.30-6.45z	+0.11
Brent Blend (dated)	$18.50-8.52	-.025
Brent Blend (Jul)	$18.65-8.67	-.055
W.T.I (1 pm est)	$20.17-0.20z	+.005
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$207-210	
Gas Oil	$173-174	+1.0
Heavy Fuel Oil	$65-67	-0.5
Naphtha	$182-183	-1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$370.25	-5.0
Silver (per troy oz)♣	441c	-19
Platinum (per troy oz)	$382.0	-14.0
Palladium (per troy oz)	$121.85	-1.40
Copper (US Producer)	87.0c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	13.07r	-0.41
Tin (New York)	238.5c	+2.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	142.26p	-0.32*
Sheep (live weight)†♦	128.60p	-10.1*
Pigs (live weight)†	92.33p	+0.39*
London daily sugar (raw)	$275.5	-0.2
London daily sugar (white)	$274.5	-4.0
Tate and Lyle export price	£289.0	+1.0
Barley (English feed)	£111.0v	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	58.75p	
Rubber (Aug)♥	58.00p	
Rubber (KL RSS No 1 May)	209.5m	
Coconut oil (Philippines)§	$445.0y	+5.0
Palm Oil (Malaysian)§	$367.5u	-5.0
Copra (Philippines)§	$281.0u	+5.0
Soyabeans (US)	£176.0z	-1.5
Cotton "A" Index	59.70c	
Wooltops (64s Super)	375p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun.z-July. v-Oct/Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♦Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR - London FOX ($ per tonne)

White	Close	Previous	High/Low
Aug	276.60	279.90	279.50 276.00
Oct	276.80	277.90	281.00 274.00
Dec	279.30	280.80	279.50 278.00
Mar	280.20	282.90	282.70 280.50
May	284.70	288.50	285.50 284.00

White 1033 (1017) Paris- White (FFr per tonne): Aug 1516.38 Oct 1526.48

CRUDE OIL - IPE ($/barrel)

	Latest	Previous	High/Low
Jul	18.65	18.72	18.75 18.62
Aug	18.77	18.81	18.83 18.76
Sep	18.88	18.92	18.94 18.86
Oct	18.98	19.02	18.99 18.96
Nov	19.08	19.07	19.08
IPE Index	18.63	18.64	

Turnover 12575 (19322)

GAS OIL - IPE ($/tonne)

	Close	Previous	High/Low
Jun	172.25	171.25	172.25 171.50
Jul	172.75	172.25	172.75 172.00
Aug	174.00	174.25	174.50 173.50
Sep	175.75	176.00	176.50 175.75
Oct	179.25	179.00	179.25 178.75
Nov	181.25	180.75	181.50 181.00
Dec	183.50	182.75	183.50 183.00
Jan	183.75	183.75	184.00 183.50

Turnover 9068 (10522) lots of 100 tonnes

WOOL

The main wool selling seasons in the southern hemisphere are in their final month and offerings at auction are tailing off. Last week's South African sale was cancelled because of inadequate offerings, and a New Zealand sale was recently abandoned for the same reason. Australia meanwhile is a steady market, with finer merinos still in keen demand. Prices gained a little ground compared with last week but subsequently have just remained steady. The AWC market indicator is 455c/kg compared with 453 a week ago.

COCOA - London FOX (£/tonne)

	Close	Previous	High/Low
Jul	684	685	684 669
Sep	680	682	680 676
Dec	701	702	701 696
Mar	722	723	720 716
May	736	736	736 732
Jul	749	750	749
Sep	763	764	763
Dec	788	784	787 784
Mar	809	809	810 809

Turnover: 3236 (2221) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 1 691.39 (692.43) 10 day average for Jun 2 695.64 (698.09)

COFFEE - London FOX ($/tonne)

	Close	Previous	High/Low
Jul	916	921	917 903
Sep	924	928	924 914
Nov	928	936	932 920
Jan	934	940	933 925
Mar	936	943	937 936
May	946	949	948

Turnover: 1655 (1981) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 1 Comp. daily 54.95 (55.70) 15 day average 54.73 (54.86)

POTATOES - London FOX (£/tonne)

	Close	Previous	High/Low
Apr	98.3	97.8	98.1 97.1

Turnover 169 (36) lots of 20 tonnes.

SOYAMEAL - London FOX (£/tonne)

	Close	Previous	High/Low
Jun	144.00		144.00
Aug	142.00	142.00	142.40 141.90

Turnover 203 (0) lots of 20 tonnes.

FREIGHT - London FOX ($10/index point)

	Close	Previous	High/Low
Jun	1479	1482	1495 1474
Jul	1342	1355	1360 1340
Oct	1430	1426	1430 1422
Jan	1459	1480	1465 1460
BFI	1618	1623	

Turnover 142 (127)

GRAINS - London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Jun	138.40	138.50	139.25 138.50
Nov	109.35	109.00	109.20 109.00
Jan	112.20		111.80
Mar	114.75		114.45
Barley	**Close**	**Previous**	**High/Low**
Sep	105.75		105.75 105.00
Jan	111.00	110.75	110.75

Turnover: Wheat 31 (56), Barley 11 (4).
Turnover lots of 100 Tonnes.

PIGS - London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	113.2	112.8	113.0
Jul	108.3		106.5
Aug	102.8		103.0

Turnover 14 (70) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,540 lots
Cash	1127-9	1120-0.5	1123	1123.5-4		
3 months	1151-1.5	1143.5-4.0	1152.5/1144	1146-6.5	1152-3	186,459 lots
Copper, Grade A (£ per tonne)						Total daily turnover 42,335 lots
Cash	1166-7	1147-8	1167	1167-8		
3 months	1181-2	1163-4	1187/1175	1181-1.5	1184-5	211,788 lots
Lead (£ per tonne)						Total daily turnover 2,546 lots
Cash	257.25-8.25	256-6.5		258.75-7		
3 months	267-8	265.5-6.0	268/266.5	266.5-6.75	267-8	20,749 lots
Nickel ($ per tonne)						Total daily turnover 7,277 lots
Cash	5635-45	5615-20		5620-31		
3 months	5700-10	5680-5	5725/5670	5695-6	5720-5	47,671 lots
Tin ($ per tonne)						Total daily turnover 4,202 lots
Cash	5167-72	5095-100	5185/5162	5182-5		
3 months	5225-30	5155-60	5275/5169	5235-40	5220-5	9,923 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,834 lots
Cash	929-30	920.5-1.5	923.5	923.5-4		
3 months	948-50	940-1	954/943	943-4	948-9	88,753 lots

LME Closing £/$ rate: SPOT: 1.5405 3 months: 1.5306 6 months: 1.5216 9 months: 1.5148

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	370.00-370.50	
Opening	369.80-369.20	
Morning fix	368.25	237.320
Afternoon fix	369.00	239.891
Day's high	370.20-370.70	
Day's low	366.50-367.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.23	6 months	2.35
2 months	2.26	12 months	2.40
3 months	2.30		

Silver fix	p/troy oz	US cts equiv
Spot	282.05	436.50
3 months	285.35	439.65
6 months	289.85	443.25
12 months	298.30	452.10

GOLD COINS

	$ price	£ equivalent
Krugerrand	368.50-371.50	237.00-239.00
Maple leaf	381.60-384.00	-
New Sovereign	87.50-90.50	56.00-58.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1125	40	62	15	24
1150	26	48	27	34
1175	16	36	42	47
Copper (Grade A)	**Calls**		**Puts**	
1800	71	99	57	77
1850	49	76	84	103
1900	32	57	117	133
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
900	35	65	14	37
950	12	41	41	63
1000	3	26	82	98
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
700	3	22	39	42
725	1	14	62	59
750		9	86	79
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
1800	-	-	5	17
1850	31	-	15	32
1900	9	33	37	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	369.2	369.5	370.9	366.1
Jul	370.0	370.5	0	0
Aug	370.6	371.3	372.7	367.7
Oct	372.4	373.0	374.4	369.5
Dec	374.1	374.7	376.1	370.7
Feb	375.6	376.2	377.5	373.4
Apr	377.2	377.8	378.7	375.0
Jun	378.9	379.5	380.2	376.0
Aug	380.7	381.3	378.5	378.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	383.7	392.1	388.5	379.5
Oct	381.9	390.6	385.0	378.0
Jan	381.3	389.7	384.5	378.0
Apr	381.1	389.5	383.5	378.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	435.7	439.4	0	0
Jul	436.8	440.5	443.5	433.5
Aug	438.4	442.1	445.0	441.0
Sep	439.9	443.5	446.5	436.5
Dec	444.5	448.2	451.5	441.0
Jan	445.1	448.8	0	0
Mar	449.2	453.0	455.0	447.0
May	452.7	456.6	458.5	448.0
Jul	455.8	459.7	463.0	455.0
Sep	459.5	463.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	81.05	80.00	81.10	80.70
Jul	81.40	80.40	81.50	80.70
Aug	81.60	80.10	81.50	81.10
Sep	81.85	80.90	81.85	81.20
Oct	82.05	81.10	0	0
Nov	82.30	81.35	0	0
Dec	82.60	81.65	82.60	82.05
Jan	82.75	81.80	0	0
Feb	82.95	82.05	0	0
Mar	83.20	82.35	83.45	82.95

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	20.16	20.24	20.25	20.19
Aug	20.34	20.39	20.38	20.28
Sep	20.41	20.48	20.48	20.38
Oct	20.47	20.54	20.53	20.48
Nov	20.51	20.56	20.54	20.50
Dec	20.50	20.58	20.57	20.51
Jan	20.51	20.57	20.56	20.51
Feb	20.51	20.56	20.51	20.51
Mar	20.55	20.55	0	0
Apr	20.54	20.54	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	55.15	55.14	55.30	54.90
Aug	55.85	55.90	55.91	55.65
Sep	56.90	56.90	56.95	56.65
Oct	57.75	57.88	57.85	57.70
Nov	58.60	58.64	58.65	58.60
Dec	59.75	59.78	59.85	59.75
Jan	60.25	60.24	60.35	60.20
Feb	60.05	59.97	60.10	60.00
Mar	58.70	58.59	58.70	58.50
Apr	57.20	57.19	57.20	57.20

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	877	878	884	873
Sep	912	911	917	906
Dec	951	950	957	946
Mar	987	986	991	985
May	1015	1010	1015	1015
Jul	1035	1030	0	0
Sep	1058	1053	0	0
Dec	1090	1085	1089	1089
Mar	1124	1119	0	0
May	1135	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	61.60	61.25	62.30	60.50
Sep	63.40	63.10	64.00	62.35
Dec	66.20	65.70	67.00	65.10
Mar	68.40	68.05	68.75	67.50
May	69.95	69.65	70.20	69.50
Jul	71.20	70.85	70.90	70.90
Sep	72.55	73.15	72.50	72.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.67	10.75	10.91	10.56
Oct	10.89	11.03	11.16	10.79
Mar	10.68	10.84	10.89	10.61
May	10.56	10.70	10.78	10.55
Jul	10.53	10.63	10.58	10.55
Oct	10.47	10.57	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	60.90	60.25	61.00	60.30
Oct	59.10	59.22	59.80	0
Dec	59.08	58.48	59.16	58.60
Mar	59.95	59.47	60.03	59.65
May	60.61	60.10	60.50	60.50
Jul	60.90	60.55	61.10	60.60
Oct	60.75	60.30	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	111.75	110.60	112.85	108.75
Sep	114.55	113.70	114.80	112.00
Nov	117.00	116.00	117.50	114.25
Jan	118.20	117.75	118.20	116.00
Mar	119.00	119.25	119.00	117.50
May	119.00	119.25	0	0
Jul	119.00	119.25	0	0
Sep	119.00	119.25	0	0
Nov	119.00	119.25	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jun 2	Jun 1	mnth ago	yr ago
1655.2	1660.3	1657.7	1598.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun 1	May 28	mnth ago	yr ago
Spot	119.89	121.74	120.73	117.17
Futures	120.04	121.22	124.80	118.85

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	588/6	589/0	591/2	586/0
Aug	587/4	587/6	590/2	586/6
Sep	584/0	585/2	587/6	584/0
Nov	585/0	586/2	588/4	584/0
Jan	591/0	592/6	594/4	591/0
Mar	596/0	599/6	600/4	596/6
May	600/4	602/4	603/4	600/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.77	21.02	21.03	20.72
Aug	20.93	21.15	21.17	20.88
Sep	21.08	21.25	21.26	21.00
Oct	21.16	21.39	21.39	21.13
Dec	21.38	21.62	21.62	21.34
Jan	21.49	21.73	21.52	21.46
Mar	21.69	21.95	21.76	21.67
May	21.88	22.14	22.00	21.86

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	186.9	188.6	187.8	186.5
Aug	186.3	183.9	187.1	185.7
Sep	185.8	185.7	186.7	185.4
Oct	185.8	186.4	186.2	186.2
Dec	186.0	185.9	186.7	185.5
Jan	186.2	186.2	186.7	186.0
Mar	186.4	186.4	187.2	186.2
May	186.7	187.5	187.5	186.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	219/2	219/4	220/2	218/6
Sep	223/6	224/2	225/0	223/4
Dec	229/6	230/4	230/6	229/4
Mar	237/2	238/0	238/2	237/0
May	242/0	243/2	243/2	242/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	284/4	282/6	285/0	282/4
Sep	287/4	286/0	288/2	285/6
Dec	299/6	297/4	300/0	297/4
Mar	307/0	304/6	307/0	304/6
May	307/2	305/6	307/2	305/6

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	75.000	75.375	75.550	74.900
Aug	73.225	73.550	73.650	73.050
Oct	74.050	74.275	74.475	73.950
Dec	74.075	74.425	74.475	74.000
Feb	73.575	73.925	74.000	73.550
Apr	74.700	75.075	75.100	74.700

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	51.575	51.200	51.600	51.150
Jul	49.300	49.275	49.500	49.125
Aug	47.200	47.025	47.250	46.850
Oct	42.425	42.200	42.500	42.150
Dec	43.400	43.275	43.550	43.300
Feb	43.600	43.550	43.690	43.600
Apr	42.590	42.600	42.600	42.550

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	39.275	38.800	39.750	38.850
Aug	38.075	37.650	38.400	37.750
Feb	40.975	40.800	41.150	40.975
Mar	40.425	40.125	40.600	40.275
May	41.050	41.000	41.050	0

LONDON STOCK EXCHANGE

Shares gain on renewed confidence

By Terry Byland,
UK Stock Market Editor

THE UNEXPECTED link-up in the UK property industry between Mr George Soros and British Land provided a strong stimulus to confidence in the London stock market yesterday. Driven by gains in British Land and other leading property stocks, the FT-SE Index extended its advance into its latest trading range by nearly 20 points before closing well below the best as US investors continued to sell pharmaceutical stocks after Wall Street opened.

A *secondary support for* investment confidence came from hopes that political pressures might yet induce the new UK chancellor of the exchequer to cut base rates, although these were restrained by the Bank of England's actions in the money markets and by renewed warnings on inflation from the president of the Bundesbank, ahead of today's policy meeting at the German central bank.

The latest UK money supply data, however, encouraged speculation on domestic rate *cuts and the London markets* were not wholly convinced by the Bank's actions in the money markets. "Mr Clarke (the new UK chancellor) has little to lose by cutting rates," commented Mr Ian Harnett of Strauss Turnbull.

The FT-SE Index closed 13.8 up at 2,863.0, after touching 2,868.7 at mid-session. This left the market still comfortably inside its latest trading range, which will not be seriously tested until the Footsie reaches the 2,880 area. UBS, the London securities arm of the Swiss bank, yesterday raised its year-end forecast for the Footsie to 3,100, indicating a total return for the year of around 23 per cent; UBS is setting the same target for 1994.

The *rebound in confidence* was shown most clearly in the FT-SE Mid 250 Index which jumped by 25.1 points to a new peak of 3,191.4. However, trading volume in the non-Footsie stocks which make up the bulk of the Mid 250 Index made up only 56 per cent of the day's Seaq total of 601.9m shares. On Tuesday, when the London market was very slow to return from the extended holi*day weekend, Seaq volume of* 401.9m shares was worth only £841m in retail, or customer, business, the lowest daily figure for many months. The London market has enjoyed a virtually unbroken run of £1bn daily customer business levels since sterling left the ERM in mid-September last year.

Among the strongest sectors in the Footsie 100 stocks list, property shares, represented *by a gain of more than 5 per* cent in Land Securities, stood out. But the implications for their loan books of a revival of confidence in the UK property market also boosted the domestic clearing banks, where Barclays and National Westminster moved ahead.

Firmness in the US dollar helped sentiment among the international stocks but this was overshadowed by further, determined selling of the pharmaceutical sector by US investors. Downward pressure on Glaxo was increased when a UK investment bank moved to sell the share options heavily at mid-session. Wellcome was another weak feature in the pharmaceuticals sector.

The gathering clouds over drug stocks, which have been driven by uncertainties over *the Clinton administration's* healthcare policies, continued to benefit ICI, which again attracted significant support from investors both in the UK and in New York.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
May 24	Jun 7	Jun 21
Option Declarations:		
Jun 3	Jun 17	Jul 1
Last Dealings:		
Jun 4	Jun 18	Jul 2
Account Day:		
Jun 14	Jun 28	Jul 12

*New time dealings may take place from 8.30am two business days earlier.

Property stocks advance

THE BURGEONING appetite among investors for property shares was further whetted yesterday when British Land unveiled a partnership with Mr George Soros, the US investment specialist, sending property shares soaring and leading the London market sharply higher. Almost overshadowed by the new joint venture were British Land's results, described by one analyst as "scintillating", as well as its £132m 4-for-17 rights issue.

British Land shares galloped forward on news of the Soros deal announced at the opening of the session, which some institutions underweighted in property stocks took as a signal that the recovery in the property market had been duly sanctioned. However, dealers said that the large trading volumes seen in some of the leading stocks masked a series of agency crosses. Marketmakers were also caught out by the developments and stock shortages underpinned some of the rises.

While many analysts continued to caution over embracing the sector wholesale, arguing that quality differentials among the long-depressed stocks were highly significant, yesterday's rises were indiscriminate. British Land jumped 46 to 344p – its highest level for three years – on turnover of 4.5m. Hammerson, long considered a potential target for British Land, was immediately thrown back into the bid limelight, its shares climbing 11 to 349p. Elsewhere, Land Securities surged 30 to 583p, Brixton Estates 20 to 218p, while the second liners also caught the mood and forged ahead strongly. Estate agent Conrad Ritblat Sinclair Goldsmith, in which the British Land chairman has an 11 per cent stake, jumped 8 to 42p.

The Soros move into the UK commercial property market, via the link with British Land, triggered a strong upsurge in bank stocks. Barclays, believed to have the largest exposure to commercial property in the UK, jumped 11 to 467p with a substantial 8.9m shares changing hands, the heaviest single-day's turnover for some weeks.

MEPC strong

The surge in property shares increased speculation that MEPC would shortly follow the example of some of its rivals and call for cash from the equity market. There were strong rumours that such a move might accompany the company's interim results today, with market talk suggesting a right issue in the order of a 1-for-4 to raise £250m. An issue of this size would catapult MEPC back towards the FT-SE 100, and also take the amount of money raised by the property sector in recent months to over £1bn.

Property analysts also expect the second line stocks to turn to shareholders for extra funds *in the very near future. Great* Portland Estates and Frogmore Estates were two names being hinted at in the market yesterday. MEPC shares rose 26 to 448p, Great Portland 22 to 205p and Frogmore 17 to 404p.

ICI/Zeneca advance

A fresh surge of buying interest in ICI shares on Wall Street overnight set the tone for the newly-demerged group, with most of the buying in the stock said to have reflected switching business by interna*tional broking houses.*

Dealers said it was significant that ICI and its former bioscience arm, Zeneca, had made progress, while the big international pharmaceutical stocks, such as Glaxo, SmithKline Beecham and Wellcome *had given up significant* ground.

ICI shares were among the FT-SE 100 index's best performers in London on Tuesday, when they spurted from an opening 606p to close at 636p. Yesterday, they took another substantial leap forward, opening sharply higher at 658p and quickly moving ahead to touch 674p before settling a further 37¾ up at 673¾p.

Both classes of Zeneca stock moved ahead, shrugging off the sluggish opening performance on Tuesday. Zeneca ordinary shares battled gamely and closed 4 higher at 634p, after 637p, albeit after only moderate turnover of 2.9m shares, well below Tuesday's debut turnover of 10m. The new shares settled 3 higher at 37p, *after 39p, on 4m traded.*

The US Securities and Exchange Commission's move to grant special exemption to marketmaking firms involved in the underwriting of the Zeneca rights issue, allowing them to purchase Zeneca shares in a "passive" role if the market price goes below a 10 per cent discount to the rights price in the final five days of the offer, was another positive for the market.

Drug stocks down

Wall Street's decline as the London market was closing yesterday, sparked off a flurry of selling in a high-profile drugs sector still susceptible to bouts of concern that the US administration could launch an attack profit margins in the US pharmaceuticals industry.

One leading UK investment bank was a significant seller of Glaxo put options, driving down the underlying stock price, which ended the session 14 weaker at 604p. Turnover was 3.2m shares. SmithKline Beecham dropped 8 to 475p and Wellcome 22 more to 754p.

Lasmo in demand

Substantial buying, believed to be from the US, drove *Lasmo shares a further* 7 higher at 162p on relatively heavy turnover of 4.4m.

The shares have risen strongly in the past week, up from the mid-140's, as US investors have bought heavily into the recently-announced convertible bond issue.

The company is said to be about to embark on a series of presentations to US institutions, commencing on Monday, ahead of the scheduled ADR (American Depository Receipts) listing expected in the next few weeks.

BT's move to buy a 20 per cent stake in MCI, the US long-distance phone-line carrier, so close to the forthcoming flotation of the Government's remaining stake in BT, saw the UK group's shares decline 5 to 421¼p on hefty turnover of 7.9m shares as the market fretted about the possibility that the move could prove earnings dilutive in the short term. However, analysts adopted a more positive tone after the post-news meeting with BT/MCI.

"It's an exciting new strate*gic development for BT* and looks like being earnings enhancing next year," said Mr Christopher Tucker," telecoms specialist at Carr Kitcat and Aitken, the stockbroker.

BT is paying $830m for a 4.9 per cent stake in MCI with the rest payable in due course. The two telecoms giants are setting up a joint $1bn venture in telecoms circuitry.

Vodafone jumped 16 to 443p on further reflection of last month's new connections numbers and ahead of next week's preliminary results, which are expected to show profits up to around £270m, compared with last year's £244m.

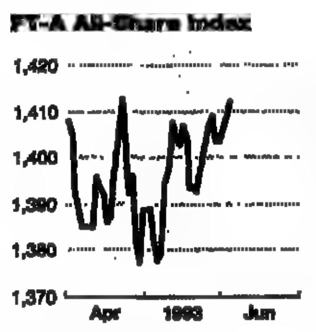
The sharp rise in the dollar drove insurance brokers higher with Willis Corroon 8 better at 204p and Sedgwick 3 to the good at 168p. "Sedgwick has been unfairly left behind by Willis," said an analyst.

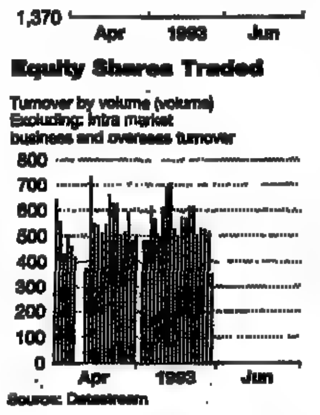
The absence of a widely hinted rights issue from engineering group Siebe, together with final figures at the top end of market forecasts sent the shares 17 ahead to 477p.

International mining group RTZ added 7 to 674p, after two brokers recommended the stock. Mr Matthew Sutherland at NatWest Securities said the current year will continue to *be difficult but*, "in 1994, *global* economic recovery is forecast to be strong enough to cause recovery in metal prices."

MARKET REPORTERS:
Christopher Price,
Steve Thompson,
Joel Kibazo.

■ Other statistics, Page 30





Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (157).
AMERICANS (3) Chrysler, Lowe's, Quaker Oats, CANADIANS (1) GulfCanada, BANKS (4) Asahi, Fuji, Sanwa, Sumitomo, BLDG MATLS (5) Anglian, CRH, Johnston, RMC, Rugby, BUSINESS SERVS (5) African Lakes, BET, Reed Executive, Securiguard, Select Appts., CHEMS (3) Holliday, ICI, Schering, CONTG ...
... BRITISH FUNDS (1) Treas. 12½pc '95, BUSINESS SERVS (2) Hays, Holmes Protn., CHEMS (1) Allied Colloids, CONGLOMERATES (1) Mosaic Invs., CONTG & CONSTRCN (2) Andrews Sykes, McLaughlin & Harvey, ELECTRICALS (1) Electrolux, ELECTRONICS (1) Greystone, HEALTH & HSEHOLD (3) Cortecs, Haemocell, Smith & Nephew, INV TRUSTS (2) Contra-Cyclical, SPRAIT 8.3-13.3pc Prg., MISC (2) Gestetner, Toye, OIL & GAS (1) NZ Oil, PROP (1) Wateglade, TEXTS (2) Haggas (J), PEX, PLANTATIONS (1) Kuala Lumpur Kepong.

FINANCIAL TIMES EQUITY INDICES

	June 2	June 1	May 28	May 27	May 26	Year ago	* High	* Low
Ordinary share	2230.2	2211.7	2205.0	2213.7	2208.6	2090.7	2299.5	[illegible]
Ord. div. yield	4.13	4.17	4.24	4.21	4.23	4.41	4.52	4.07
Earning yld % full	5.26	5.31	5.15	6.11	6.13	6.48	6.38	5.26
P/E ratio net	24.00	23.77	19.90	20.02	19.96	[illegible]	24.00	[illegible]
P/E ratio nil	22.38	22.17	18.65	18.76	18.70	17.98	22.38	18.14
Gold Mines	182.5	200.6	198.4	197.1	202.7	106.3	[illegible]	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/5/93 - low 49.4 26/6/40. Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71. Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2221.2	2224.2	2228.6	2229.4	2233.3	2233.7	2234.4	2234.6	2233.3	2235.7	2221.2

Volume	June 2	June 1	May 28	May 27	May 26	Year ago
SEAQ Bargains	29,217	26,889	[illegible]	27,255	27,434	23,379
Equity Turnover (£m)†	-	841.0	1112.5	1366.0	1430.5	1005.6
Equity Bargains†	-	32,497	34,398	31,800	31,585	26,835
Shares traded (ml)†	-	355.2	523.4	586.6	527.4	402.3

† Excluding intra-market business and overseas turnover.

London report and latest Share index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2863.0 +13.8	3191.4 +25.1	1413.55 +7.40

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or −	1993 high	1993 low	Yield Int.	Yield Red.
Five to Fifteen Years						
Treas 15½pc '98‡‡	134⅛	+⅛	136¹⁵⁄₁₆	133⅞	11.58	7.58
Exch 12pc 1998	118⅛	+⅛	122⅞	118⅞	10.09	7.64
Treas 9½pc 1999‡‡	108⅞	+⅛	112½	108⅛	8.72	7.49
Exch 12¼pc 1999	120¹⁵⁄₁₆	+⅛	124⅞	120⅛	10.15	7.74
Treas 10½pc 1999	113⅞	+⅛	117⅞	113⅞	9.24	7.69
Conversion 10¼pc 1999	112⅞xd	+⅛	117⅞	112⅛	9.08	7.56
9pc 2000‡‡	106⅞	+⅛	110⅞	106	8.41	7.63
Treas 13pc 2000	126⅞	+⅛	131	125½	10.30	8.05
10pc 2001	111⅞	+⅛	115⅞	109⅞	8.98	7.99
14pc '98-1	125⅞xd	+⅛	129½	125⅛	11.15	7.67
9¾pc 2002	110⅞	+⅛	114⅞	108⅞	8.84	8.12
8pc 2003‡‡	99⅞xd	+⅛	103⅞	97⅞	8.03	8.03

Undated	Price £	+ or −	1993 high	1993 low
Consols 4pc	46⅞	+⅛	48⅞	
War Loan 3½pc‡‡	40⅞	+⅛	42⅛	
Conv 3½pc '61 Aft.	61⅞	−⅛	63	
Treas 3pc '66 Aft.	34⅞	——	35⅞	
Consols 2½pc	30¼xd	−⅛	31⅞	
Treas. 2½pc	25⅞	−⅛	26⅞	

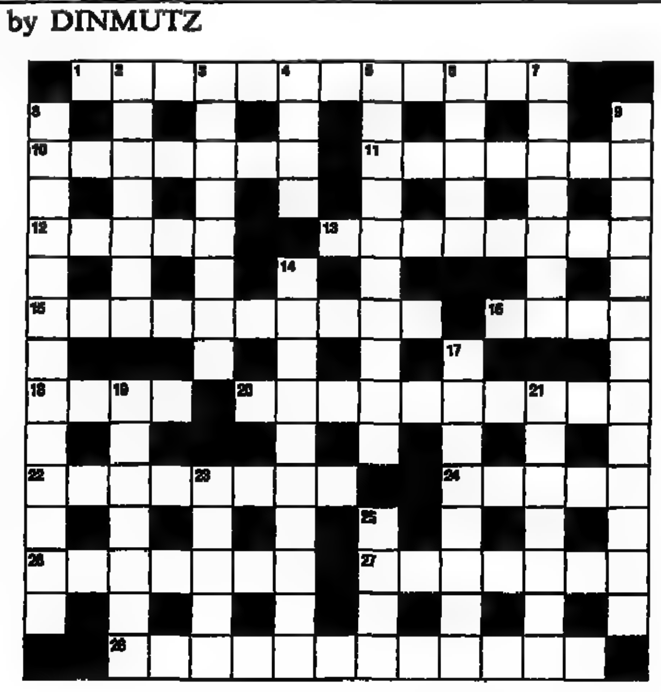
Continued on next page

CROSSWORD

No.8,166 Set by DINMUTZ

ACROSS
1 Shelf-life? (12)
10 Dumas's English version is spurious (7)
11 Baby's original position to hear rock music? (4-3)
12 Fallible like Clement Short, say (5)
13 Stop mixed pairs taking tea-break! (8)
15 Unsuccessful sort, not in the running (3-7)
16 Mill about to quiver (4)
18 The game's up! (4)
20 Note inside present, as a rule (10)
22 Security-guards keep an eye on people (8)
24 Gout's spoiled appetite (5)
26 Transport used in tenth rally (7)
27 One who throws old penny into a jumper, of course (7)
28 Tacking literally, could you say (4-8)

DOWN
2 Double ringer in play? (7)
3 Propose a candidate and mention a change .... (8)
4 .... to create a fuss! (2-2)
5 Spit in the fire? (10)
6 Order fifty-one daggers (5)
7 Pulled up over table-top - or lower (7)
8 How wrap design affected detergent? (7-6)
9 Come up and turn out for tennis (6,2,5)
14 Wild boar actually living in trees, so? (10)
17 Peg of full size? (8)
19 Understatement in T.S. Eliot play (7)
21 Slight, shorter fashionable hormone (7)
23 Greek mathematician's bird (5)
25 Elegant greeting in cricket club (4)



JOTTER PAD

Solution to Puzzle No.8,165

EQUITY FUTURES AND OPTIONS TRADING

THE GENERAL excitement in the equity market that was kindled by developments in the property sector underpinned trading in the derivatives, though volumes remained thin, writes Joel Kibazo.

In futures, trading in the June contract on the FT-SE 100 opened at 2,869 with sentiment boosted by the strong overnight performance on Wall Street. But selling shortly after the opening brought about a temporary retreat in June and it fell to the day's low of 2,863.

However, the positive mood generated by the developments in the property sector and continued speculation of a cut in interest rates in both the UK and German combined to bring about a recovery in the fortunes of the June contract.

A firm gilts sector also assisted trading during the afternoon and June reached the day's high of 2,879 just after 3pm. Following a bout of *profit-taking in the dying minutes* of the session, June finished at 2,865, in line with the underlying cash market. Volume remained poor reaching 6,270 at the official close.

The turnover in the traded options remained low in spite of showing a significant improvement. Total volume was 22,974 lots against 14,683 on Tuesday. Just over 5,400 contracts were dealt in the FT-SE 100 and Thames Water, which reported figures yesterday, was the busiest stock option with a day's total of 3,460 contracts.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 High	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17½xd	+⅛	20⅞	15[illegible]	14,948	2.4
Allegheny & W.	♥	583p	+8	685p	399p	388.2	3.2
Amdahl		348p	+4	591p	302½p	[illegible]	[illegible]
Amer Cyanamid		39⅞	+⅜	39⅞	31¼	3,031	3.1
Amer Express		18¾xd	–	19½	14⅞	5,942	3.5
Amer T & T		39[illegible]xd	+¼	40⅞	33⅞	53,112	2.1
Ameritech		47⅞	+1⅛	52⅞	40	20,882	4.9
BankAmerica		28⅞xd	–⅛	30⅛	27[illegible]	6,913	3.1
Bankers NY		46½xd	+[illegible]	51[illegible]	42⅞	2,732	4.2
Bell Atlantic		35⅞	+⅛	39⅞	32¼	15,368	4.8
BellSouth		34⅛	+[illegible]	38⅞	32⅞	16,867	5.2
Bethlehem Steel	♥	12½xd	+⅛	13⅞	10	1,131	–
Bowater		1437pxd	+42	1662p	1336p	620.7	1.8
CPC		28¼xd	+[illegible]	34⅞	26	4,278	2.8
Cadiz Land Inc	♥	125p	–9	134p	53p	–	–
California Engy		1358p	–	1479p	1085p	247.2	–
Chase Manhattan		20xd	+⅛	24½	17⅞	3,121	3.6
Chrysler		28⅛xd	+¼	29⅞	21⅛	6,929	1.3
Citicorp		18⅞xd	+⅛	20[illegible]	13[illegible]	6,717	–
Colgate-Palm		36xd	–1⅛	45⅞	35¼	5,748	2.2
Cont'l Bank		1567p	+12	1677p	1278p	1,383	2.4
Dana		34⅛xd	+1⅛	34[illegible]	29[illegible]	1,567	3.0
Data General		738p	+17	851p	593p	203.9	–
Decora Inds.	♥	120p	+1	148p	109p	–	–
Dun & Brad		38⅞	+1⅛	42⅞	37⅛	6,928	4.0
Eaton		57⅛	+⅛	59⅞	50⅞	2,002	2.4
Echlin		17⅞xd	+½	18⅞	15[illegible]	988.6	2.6
FPL		24[illegible]xd	+⅛	27⅞	23⅛	4,437	6.4

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Price	+or-	1993 high	low	Mkt Cap£m	Yld Gr's
Greenwich Res	18	-1	22¼	5	13.9	-
Hamlo Gold C$	88	+½	88½	23½	880.6	1.5
Ivernia West IR	81	—	87	31	88.6	-
Kells Minis IR	12	—	13	8	0.29	-
Kenmare	10¾	—	13½	6	10.8	-
Metinga Res.	14	—	20½	13½	1.54	-
Nawen Res IR	40	-1	60	25	6.57	-
8pc Ln Notes	40	-1	60	25	6.34	-
Oryx Gold	[illegible]	—	71	47	-	-
Ovoca Res IR	3½	—	3½	3½	0.34	-
RTZ	674	+7	709	607	6,992	3.9
Viscaya	6¾	—	8¼	[illegible]	3.08	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, *quoting the code FT9314. Reports will be sent the next* working day, subject to availability. Please remember to state the weekly changing code above.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	6	258.2	258.2	280.0	-5.2	0.73
S & W Capital	5	118.9	118.9	126.4	+0.3	1.84
S & W Cash	0	100.90	100.90	100.90	+0.04	5.38
S & W European	5	111.7	111.7	118.1	—	1.26
S & W Far Eastern	6	146.0	147.8	158.1	-0.8	0.00
S & W Growth	5	126.5	127.3	134.7	+0.4	1.24
S & W Income	6	111.7	112.3	118.4	-0.1	4.66
S & W Mngdsec	6	123.4	123.4	132.4	+0.2	1.34
S & W Smlr Secs	6	316.4	322.2	341.8	+4.15	0.44
S & W Thoroughbred	5	142.5	142.8	153.8	+0.3	1.47

For Societe Generale Tradev Renount see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

Standard Life Tst Mngmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

State Street Unit Trust Mngmt Ltd (1400)F
20 Birchin Lane, London EC3V 9AD

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Unit Management Ltd

Funds in Court*

* Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd ‡

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Providence Capital Life Assc. Co Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Alpha Pension Funds				
UK Alpha		228.2	+0.6	-
US Alpha		119.1	+1.1	-
Gilt Alpha		85.0	+0.1	-
Gold Alpha		38.0	-2.4	-
Japan Alpha		45.8	+0.4	-
US Dollar Alpha		72.9	+0.3	-
Yen Alpha		79.3	+0.2	-
DM Alpha		89.9	+0.7	-
European Alpha		85.1	-0.2	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Gold Range (Pensions)				
Discretionary Fund		157.1	+0.2	-

Provident Mutual Life Assc. Assn.
6 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	416.3	438.2	+3.1	-
Managed Init	294.8	310.3	+2.1	-
Equity Ord	624.5	657.4	+5.0	-
Equity Init	442.3	465.6	+3.5	-
Index Linked Gilt Ord	193.7	203.9	+0.3	-
Index Linked Gilt Init	143.3	150.8	+0.2	-
Overseas Equity Ord	334.3	351.9	+4.3	-
Overseas Equity Init	226.8	238.7	+0.1	-
Property Ord	226.3	238.2	+0.1	-
Property Init	160.3	168.7	+0.1	-
Fixed Interest Ord	257.4	270.9	+0.5	-
Fixed Interest Init	182.3	191.9	+1.3	-
Deposit Ord	196.3	206.6	—	-
Deposit Init	139.1	146.4	—	-
Pension Funds				
Managed Ord	549.2	578.1	+4.9	-
Managed Init	388.9	409.4	+3.4	-
Equity Ord	851.7	896.5	+8.3	-
Equity Init	603.2	634.9	+5.8	-
Pen Ind Lkd Gilt Ord	220.5	232.1	+0.4	-
Pen Ind Lkd Gilt Init	163.1	171.7	+0.3	-
Overseas Equity Ord	388.2	408.6	+5.3	-
Overseas Equity Init	274.9	289.4	+3.8	-
Property Ord	288.5	303.7	+0.1	-
Property Init	204.3	215.1	—	-
Fixed Interest Ord	334.5	352.1	+0.6	-

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	404.7	426.1	+3.30	
Equity	506.2	532.9	+4.50	
Property	239.4	252.0	—	
International	399.3	420.4	+3.80	
Japanese	117.0	123.2	+1.20	
Asia Pacific	138.7	146.0	+0.70	
European	107.5	113.2	+0.60	
American	140.9	148.4	+2.50	
Fixed Interest	332.6	350.2	+0.30	
Index-Linked Gilt	185.1	194.9	+0.10	
Cash	219.7	231.3	+0.10	
Life Funds (Second Series)				
Managed	112.8	118.8	+0.90	
Equity	108.8	114.6	+1.00	
Property	100.6	105.9	—	
International	123.5	130.0	+1.20	
Japanese	117.2	123.4	+1.20	
Asia Pacific	135.9	143.1	+0.60	
European	106.5	112.2	+0.80	
American	137.7	145.0	+2.50	
Fixed Interest	125.1	131.7	+0.10	
Index-Linked Gilt	118.4	124.7	+0.10	
Cash	109.0	114.8	+0.10	
Pension Funds				
Building Society	173.0	182.2	+0.10	
Managed (Init)	234.8	247.2	+2.30	
Managed (Acc)	464.1	488.6	+4.70	
Equity (Init)	264.5	278.5	+3.00	
Equity (Acc)	532.8	560.4	+5.90	
Property (Init)	142.8	150.4	—	
Property (Acc)	282.4	297.3	—	
International (Init)	237.5	250.1	+2.70	
International (Acc)	489.6	494.3	+5.40	
Fixed Interest (Init)	223.0	234.8	+0.20	
Fixed Interest (Acc)	440.8	464.2	+0.50	
Cash (Init)	154.0	162.2	—	
Cash (Acc)	304.6	320.7	—	
Other				
Capital Guarantee Bond	99.4	104.7	+0.20	

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Bank Von Ernst & Cie AG - Contd.

Banque Scandinave a Luxembourg SA

INVESCO International Limited (u)

Atlantas Sicav

BAII Intermarket Fund

Banque Ferrier Lullin (Lux) SA

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Home sales boost the dollar

THE DOLLAR made a strong comeback against the D-Mark yesterday in the wake of strong US economic indicators and a new bout of weakness for the German currency in the European exchange rate mechanism, *writes James Blitz.*

In early morning trading in Europe, the dollar was lingering around the DM1.5810 level against the D-Mark, still reeling from last Friday's huge downward revision in the first quarter GDP figures.

However, a remarkable increase in the new home sales figure for May took dealers by surprise: the sales were up 22.7 per cent on the month at 751,000, their best performance since September 1986 and dwarfing market expectations of a 642,000 rise.

The indicator helped to push the dollar up to a close of DM1.5975 from a previous DM1.5920.

Compounding the dollar's strength was a new day of weakness for the D-Mark in Europe.

The D-Mark ought to have remained firm after the Bundesbank announced that there would be no change in the repo rate, still at 7.60 per cent – but the decision appears to have been discounted by many dealers.

According to Mr Mike Gallagher of IDEA, the market information group, the source of D-Mark weakness was the peseta's powerful performance in the ERM with only four days before the Spanish general election.

Mr José María Aznar, the leader of the opposition Partido Popular, underpinned the peseta by stating that, if elected, he would only introduce interest rate cuts after taking the currency's value into account.

A more significant factor helping the currency was the strong performance by Mr Felipe Gonzalez, the socialist prime minister, in a live tv debate with Mr Aznar on Monday night. Mr Gallagher said: "The performance was good enough to raise speculation that, as in the UK, the governing party could snatch victory at the last moment in the general election." The peseta closed at Pta78.24 from a previous Pta78.91.

The unwinding of short peseta positions contributed to general D-Mark weakness. The Italian lira closed at L913.9 from a previous L923.9, and the French franc at FFr3.369 from a previous FFr3.376.

The single exception was sterling which closed ¼ of a pfennig down on the day, at DM2.4625, on expectations that the UK authorities could cut base rates again.

Yesterday's money supply figures provided further evidence that the UK recovery is slowing. Rate cut flames were also fanned by the Bank of England's decision to offer a repo rate for only two weeks, at a date that falls just after Mr Kenneth Clarke's first Mansion House Speech. Some dealers think that a two-week repo is an unusually short date for an instrument, and that the Bank might be planning change of policy afterwards.

£ IN NEW YORK

Jun 2	Latest	Previous Close
£ Spot	1.5420-1.5430	1.5520-1.5530
1 month	0.38-0.37pm	0.38-0.37pm
3 months	1.04-1.02pm	0.99-0.97pm
12 months	3.27-3.17pm	3.25-3.17pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 2	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	187.436	-2.81	3.52	47
Irish Punt	0.808628	0.799812	-1.09	1.72	49
Spanish Peseta	154.250	152.907	-0.87	1.50	16
Belgian Franc	40.2123	40.0591	-0.38	1.00	19
Dutch Guilder	2.19672	2.18747	-0.42	1.04	21
D-Mark	1.94964	1.94873	0.00	0.61	6
Danish Krone	7.43679	7.46673	0.40	0.21	-15
French Franc	6.53883	6.57904	0.61	0.00	-34

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls July	Calls September	Calls December	Puts July	Puts September	Puts December
115	-	1.78	-	0.07	0.40	-
116	0.70	1.13	-	0.26	0.71	-
117	0.20	0.63	0.86	0.77	1.21	-
118	0.05	0.32	-	-	1.88	-
119	-	0.14	0.30	-	-	-
Open Int	6,941	116,640	30,717	9,506	103,244	15,376

Estimated volume 43,477 † Total Open Interest 308,131

† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

POUND - DOLLAR

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKETS

UK optimism fades

AFTER getting very bullish on Tuesday about the prospect of another UK base rate cut, sterling futures dealers were a little less certain about the outlook yesterday, *writes James Blitz.*

Mr Kenneth Clarke's appointment as UK chancellor last week has raised speculation that he might cut UK base rates later this year in a bid to stimulate the economy.

Yesterday morning, the enthusiasm which had seen the September contract bid as high as 94.32 on Tuesday dimmed a little.

Sterling's weakness against the D-Mark, opening more than a pfennig lower in London at DM2.4645, pushed the contract down to 94.26 at the start of trading yesterday.

UK clearing bank base lending rate 6 per cent from January 26, 1993

That mood was compounded a little later, after the Bank of England forecast a shortage of £1bn at the start of its daily operations yesterday, but did not offer a repo in the early round. Some dealers felt this implied that the authorities wanted to keep conditions tight for the time being.

However, before lunchtime, the Bank surprised the market by offering wholesale funds to commercial banks at a maturity of 2 weeks. Some dealers expressed surprise that the Bank had not offered funds for the more normal 3 week period, and speculated that a policy change might be in the offing around the time of Mr Clarke's first Mansion House speech.

Another factor adding to rate cut speculation was the poorer than expected UK money supply number, which showed a 3.3 per cent increase in Britain's narrow measure of money for May, providing further evidence that the UK recovery is slowing.

By the close, the September contract was at 94.29, 4 basis points down on the day. Three month money was up from 5⅞ per cent to 5$\frac{15}{16}$ per cent on the day.

Mr Helmut Schlesinger, the Bundesbank President, helped short-dated German futures to rise yesterday after saying that Germany's recession could be the worst since the second world war.

Mr Schlesinger's comments encouraged dealers to think that the Bundesbank would continue its policy of small cuts in short-dated interest rates, despite its decision to leave the repo rate unchanged at 7.60 per cent.

The September Euromark contract closed up 8 basis points on the day at 93.28.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

CANADA

Sales	Stock	High	Low	Close Chng
4350	CPCForest	$21½	20¾	21 +¼
5900	Cara Op	425	420	420
54100	Cascades	$8	8	8
50	Celanese	$47	47	47 -½
2806	CntCpital	31	31	31 -4
1058230	Cinepx Odn	u415	345	380 +35
12505	Conf Fd A	$6⅝	6⅝	6⅝
63884	Cominco	$15⅝	15⅜	15½ +⅛
203823	Coputalog	315	295	315 +45
86300	Corel Sys	u$20⅜	19⅞	19⅞ -¼
4000	CoscanDev	140	140	140
39900	CrownX A	385	350	350 -15
20150	Jannock x	$16⅝	16½	16½ +⅛
42000	KerrAddis	$20⅛	20⅛	20⅛ +⅛
1124350	Labatt	$22⅞	d22⅝	22⅝ -⅛
382380	Lac Minls	$11⅞	11⅝	11⅝ +⅛
342	Lafarge	$21½	21¼	21¼ -¼
16630	Laidlaw A	$10⅝	10¼	10⅜ -⅛
97318	Laidlaw B	$10½	10¼	10⅜ -⅛
2700	Laurent Bk	$17½	d17¼	17¼ -⅝
8500	Laurent Gp x	$8⅝	8¼	8⅜ +⅛
9300	Lawson Mar	$9⅞	9¾	9⅞ +⅛
29975	Loblaw	$23	22½	22½ -¼
1043288	RoyalBkCan	$28¼	27⅞	27¾ -½
341455	Ryl Oak Mn	$7⅝	7	7½
298588	RylTrustco	40	37	40 +2
8412	StLawrCm A	$8¼	7¾	8 -⅛
1220700	SceptreRs	u$12⅝	12	12½ +½
3710	ScottPaper	$11¼	11⅛	11¼ -¼
7500	Scotts Hos	$8⅞	8¼	8⅞
410135	Seagram Co	$36¾	35	35½ -1⅛
5998	Sears Can	$8	7⅞	7⅞
6850	ShellCan A	$38⅞	38½	38¾ -⅛
110100	MacleanHnt	$11⅛	11⅛	11⅛
82255	NatBk Can	$10½	10¼	10⅜ -⅛
18100	Quebecor A	$19⅞	19¾	19⅞
28915	Teleglobe	$17⅞	17¼	17⅝ +⅛
10975	Univa	$7⅞	7⅝	7⅞ -⅛
14384	Videotron x	$21⅞	21⅝	21¾ +¼

Total Sales 32,481,652 shares

INDICES

NEW YORK

DOW JONES	June 1	May 28	May 27	May 26	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3532.34	3527.43	3554.83	3540.16	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (8/7/32)
Home Bonds	107.26	107.03	108.86	108.71	107.87 (7/5)	103.48 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1602.86	1578.12	1593.82	1597.80	1683.08 (16/4)	1489.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	240.36	238.36	239.36	238.73	247.88 (16/4)	217.14 (8/1)	247.88 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3577.25 (3583.41) Low 3518.02 (3503.62) (Theoretical)
Day's High 3550.6 (3554.83) Low 3527.15 (3510.27) (Actual)

STANDARD AND POOR'S

	June 1	May 28	May 27	May 26	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	453.83	450.19	452.41	453.44	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials	524.86	520.64	523.31	524.37	524.99 (10/3)	466.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	45.93	45.90	45.34	45.53	46.87 (13/4)	39.86 (8/1)	46.87 (13/4/93)	8.64 (1/10/74)
NYSE Composite	250.25	248.90	249.43	248.80	251.38 (10/3)	238.21 (8/1)	251.38 (10/3/93)	4.46 (28/4/42)
Amex Mkt. Value	438.80	438.22	438.93	437.13	438.93 (27/5)	395.84 (8/1)	438.93 (27/5/93)	29.31 (9/12/72)
NASDAQ Composite	704.58	700.53	704.59	704.69	708.85 (4/3)	645.87 (26/4)	708.85 (4/3/93)	54.87 (31/10/72)

	June 2	June 1	May 31	May 28	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1741.9	1733.9	1737.4	1769.4	1780.40 (28/5)	1495.00 (13/1)
All Mining (1/1/80)	772.4	781.9	794.1	801.9	801.90 (28/5)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	331.91	328.91	(c)	331.28	357.78 (8/3)	300.26 (14/1)
Traded Index (2/1/91)	800.08	793.84	(c)	797.55	860.17 (3/3)	712.08 (15/1)
BELGIUM						
BEL20 (1/1/91)	1182.66	1182.79	(c)	1186.91	1209.11 (7/4)	1125.45 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	296.11	298.58	(c)	296.73	305.06 (14/5)	281.90 (4/1)
FINLAND						
HEX General (28/12/90)	1155.0	1168.9	1212.3	1213.9	1248.20 (21/5)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	513.81	513.06	(c)	519.09	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	1875.84	1872.80	(c)	1889.70	2035.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	637.89	637.71	(c)	642.25	673.70 (10/3)	608.02 (14/1)
Commerzbank (1/12/53)	1807.1	1807.3	(c)	1820.9	1908.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1826.21	1819.88	(c)	1831.85	1717.40 (11/3)	1518.30 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7322.23	7375.81	7372.19	7397.91	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1553.34	1553.89	1546.43	1552.46	1591.74 (16/4)	1191.18 (11/1)
ITALY						
Banca Com. Ital. (1972)	541.80	545.21	536.89	539.48	558.17 (20/5)	448.33 (6/1)
MIB General (4/1/93)	1187.0	1204.0	1181.0	1192.0	1236.00 (20/5)	992.00 (11/1)
WORLD						
M.S. Capital Intl.(1/1/70) ♦	574.1*	574.8	673.1	673.2		
Euro Top-100 (26/6/90)	970.01	971.20	973.94	973.21		

**Saturday May 29: Taiwan Weighted Price: 4,295.37, Korea Comp Ex. 728.75.

TOKYO - Most Active Stocks

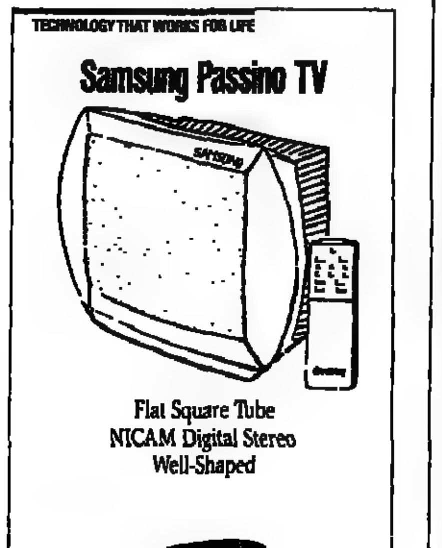
Wednesday, June 2, 1993

	Stocks Traded	Closing Prices	Change on day
NEC Corp	10.8m	1090	+30
Fujitsu	8.2m	800	+35
Toagosei Chem	6.8m	700	+60
Ricoh	6.2m	787	+14
Mitsui Min & Sm	4.9m	571	-12
Nikko Kyodo	4.6m	565	-5
Unitika	4.3m	414	+6
Toshiba	4.3m	735	+20
Nippon Carbon	4.2m	500	+11
Japan Mtl & Chm	3.7m	800	-21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close June 2

1993 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AAR Corp	0.48	3.4	25	594	14	13½	14	+½
27¾	20	A L Labs A	0.18	0.6	50	1540	u29⅛	27⅞	29	+1⅜
63½	54⅝	AMP Inc	1.60	2.6	22	2434	61¾	61⅜	61½	-⅛
72⅞	55½	AMR			11	4313	u72¾	71⅞	72⅛	-⅜
2¼	1⅜	ARX			13	15	2⅛	2	2⅛	+⅛
51½	29⅞	ASA	2.00	4.1	32	1232	48½	47⅞	48½	+⅝
30¾	22⅝	Abbott Lab	0.68	2.5	17	9354	27½	27⅛	27⅜	+⅜
[illegible]										



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4 pm close June 2

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	15½	S Anita Rt	1.36	7.7	19	182	17¾	17½	17¾	+⅛
20¾	17	SCOR US Cp	0.32	1.8	218	77	17½	17½	17½	+⅛
27¾	20	SPS Techno	1.28	4.6	20	54	u27⅞	27¾	27⅞	+⅛
14½	12⅞	Sabine Rt	1.33	9.8	10	228	13⅞	13¾	13⅞	+¼
13⅛	8⅞	Safecard	0.10	0.8	16	788	12⅝	11¾	12⅝	+¾
23½	16⅞	Safeg'd Sc			8	105	18¼	17⅞	18¼	
24¾	16¼	SafetyKln	0.36	2.0	25	382	18	17⅞	18	+⅛
18½	10⅞	Safeway			25	1467	16	15¾	15⅞	+¼
3⅝	2	SafewayW95				60	3⅜	3⅜	3⅜	-⅛
44½	37½	StJoePaper	0.20	0.5	92	32	38⅝	38⅜	38¾	-¼
37¾	31	StJosL&P	1.76	4.7	14	24	37⅛	37	37⅛	+⅛
83¾	75	St Paul's	2.80	3.4	12	738	81⅜	80½	81¼	+¾
9⅝	7⅞	Salant Crp			3	5	8⅜	8⅜	8⅜	+¼
75¼	42½	Sallie Mae	1.20	2.7	10	10881	45⅞	44½	44½	+¼
13⅞	13	Salomon Br	0.36	2.7		386	13½	13⅜	13⅜	-⅛
41⅞	34	Salomonlnc	0.64	1.7	19	2439	37¾	37⅛	37⅜	
28⅞	23¾	SanDgo G&E	1.48	5.7	14	815	26	25⅝	25⅞	-⅛
4⅛	3½	SantaFeEDu	0.40	10.7	187	8	3¾	3⅝	3¾	
[illegible]										

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X-Y-Z -

[illegible]

AMEX COMPOSITE PRICES

4 pm close June 2

[illegible]

NASDAQ NATIONAL MARKET

4 pm close June 2

[illegible]

AMERICA

US investors wait for May employment data

Wall Street

US share prices were flat in subdued trading yesterday as investors turned their attention toward tomorrow's eagerly-awaited May employment report, *writes Patrick Harverson in New York.*

At 1 pm the Dow Jones Industrial Average was down 1.94 at 3,550.13. The more broadly based Standard & Poor's 500 was 0.41 lower at 453.43, while the Amex composite was off 0.11 at 438.49, and the Nasdaq composite 0.36 lower at 703.92. Trading volume on the NYSE was 146m shares by 1 pm, and rises outnumbered declines by 915 to 676.

After Tuesday's solid gains, prices opened lower in light trading. In the absence of a lead from the bond market, which held steady, or from gold prices, which rebounded slightly after the previous day's big declines, investors focused on the morning's economic news, and on tomorrow's release of May jobs data. This will give the markets the latest reading on the current state of the economy.

Economic figures yesterday were inconclusive. April home sales, up 22.7 per cent on the month, came in well above forecasts, and failed to lift prices. Instead, investors paid more attention to the April index of leading economic indicators, which showed a modest rise of 0.1 per cent. Analysts had expected an increase of about 0.5 per cent.

SAO PAULO was five per cent higher in heavy early trading encouraged by news that Telebras, the state-owned telecommunications group, plans to launch a $500m American Depositary Receipt.

The Bovespa index was 1,863 higher at 39,037, following a 5 per cent rise on Tuesday. Telebras preferred shares were 4.4 per cent firmer at midsession.

MCI Communications, which is traded on the Nasdaq market, jumped $2¼ to $54⅞ after announcing that it had sold a 20 per cent stake to British Telecom for $4.3bn and agreed to establish a $1bn joint venture to develop the two companies' North American telecommunications businesses. ADRs in British Telecom fell $1 to $65¼, while AT&T, a competitor of both BT and MCI, eased $¼ to $61⅞.

Drug and healthcare stocks came under selling pressure. Syntex fell $1¼ to $19⅞ after the Food and Drug Administration rejected its application to sell an over-the-counter version of its Naproxen painkiller. Procter & Gamble, which is in a joint venture with Syntex to market the product, fell in early trading on the news but later recovered to $49⅞, up $⅝ on the day.

Leading drug stocks elsewhere fell on reports that the release of President Bill Clinton's healthcare reform proposals will probably be delayed until September.

Merck fell $¾ to $37, Johnson & Johnson dropped $⅝ to $44, Bristol-Myers Squibb gave up $⅝ at $59½ and Schering-Plough fell $1½ to $65⅛.

Healthcare stocks on the Nasdaq also tumbled. US Healthcare slipped $2⅝ to $45⅞ and Oxford Health Plans fell $2⅝ to $59⅞.

Canada

TORONTO was weaker by midday on weakness in the gold, transport and financial sectors. The TSE-300 index was 6.82 lower at 3,850.05 in volume of some 38m shares.

Royal Bank of Canada was off C$⅝ at C$27⅛ in spite of reporting a rise in earnings on Tuesday.

Among other actives Dylex was up C$0.12 at C$1.57 and Canadian Pacific C$⅛ higher at C$20⅞.

Warsaw slows after meteoric advance

But share prices have risen by 175 per cent since Easter, writes **Christopher Bobinski**

Warsaw's Stock Exchange (WSE), which has experienced a spectacular rise since Easter, seemed to be slowing down this week. But many of the 100,000 people who now have accounts with brokers enabling them to buy and sell the 18 quoted stocks are still hoping that the bonanza will continue.

The WSE, which was set up in April 1991, is modelled on the French order driven system, with share prices allowed to move by no more than 10 per cent up or down per session. But it only really caught the popular imagination in the past two months as share prices started to rise, sometimes by ten per cent, on each of the three days a week that the exchange is open for trading.

Turnover rose, too, from around 30bn zloty per session in the first months of the year to around 350bn zloty in the past few days with a record 414bn zloty ($24.4m) on Monday when the average share price rose by a mere 3 per cent; this presaged a 2 per cent fall on Tuesday, turnover easing to 354bn zloty.

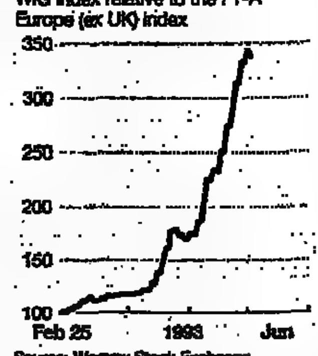
Since Easter the WIG index, the exchange's main indicator, has risen by 175 per cent from 1,350 to Tuesday's 3,710, delighting Mr Wieslaw Rozlucki, the WSE chairman. But Mr Rozlucki is now urging investors to be prudent out of fear of the damage the exchange could suffer as the result of a crash.

The rise in equities has come against a background of a slight dip in bank interest rates which prompted savers to look elsewhere to make their investment. However, as Mr Rozlucki likes to point out, the exchange is still so small that it would take a mere two per cent of people's bank deposits to buy every stock quoted on the exchange. Even now, the exchange's capitalisation has reached no more than $782m.

At the same time the past few months have seen investors from abroad, who now account for 25 per cent of daily turnover, moving in with regular buy orders for each session giving prices their steady upward trend. These include around five investment funds led by Invesco's CEAM, one of the earliest investors on the WSE.

Poland

WIG index relative to the FT-A Europe (ex UK) index



Source: Warsaw Stock Exchange

In turn, this upward trend has attracted the attention of speculative money, almost literally off the streets with people in the last few weeks buying stocks with scant regard for company prospects, profits or p/e ratios but mesmerised by the fact that a near-30 per cent, untaxed, profit was to be made in some weeks.

The scale of "investor" interest can be measured by the fact that 19,000 new accounts have been opened with brokers since the end of March.

The market has tended to favour companies such as Electrim, a telecommunications and power equipment trader, Wedel, which is controlled by PepsiCo, and Mostostal, a building company: all of these are seen as having good prospects.

The rise, of course has also lifted price/earnings ratios, from an average of 3 in the early months of this year to around 10 at present.

The excitement has spilled over into new issues, with queues forming days ahead of the recent sale of the Wielkopolski Bank Kredytowy, which was heavily oversubscribed, and which should give the purchasers a handsome bonus when first quoted on the exchange on June 22. Queues have already formed for two other issues, the Vistula garment factory in Krakow and a meat works in Sokolow Podlaski, which make their debut on June 7, and also promise to be a success.

However, companies quoted on the exchange have not taken advantage of the market's mood to raise money through new share issues. Nor, indeed, has the privatisation ministry moved quickly to make new public offers, or private companies decided to go public.

Admittedly such procedures take time, but by the time the principals get around to it, the exchange may be on the way down. Part of the reason for the delay is that equity offers oblige companies to divulge information about their results and, in some cases, dilute existing management control. Polish companies, and foreign companies operating in Poland remain wary of that.

ASIA PACIFIC

Nikkei gains ground on late buying of blue chips

Tokyo

AFTERNOON buying of blue chip electronics stocks boosted activity, and share prices gained ground in an otherwise quiet market, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average closed up 100.29 at 20,691.70, after a low of 20,561.59 and a high of 20,823.91 in the afternoon. The index closed off its high on arbitrage unwinding just before the close.

Volume rose to 434m shares, against 382m. Gainers led losers by 578 to 427 with 174 unchanged. The Topix index of all first section stocks advanced 8.21 to 1,645.46 and, in London, the ISE/Nikkei 50 index xxxx xxxx to xxxxxxxx.

Technical analysts said that the index saw support at the level of the five week moving average, around 20,400.

A fund manager at Nippon Life, the country's largest life insurer, said that it had bought shares below the 18,000 level, and saw current prices as expensive when taking fundamentals, such as corporate earnings into consideration.

US pension funds were seen buying electricals, pushing the sector up by 1.8 per cent to lead the day's winners. NEC, the most active issue of the day, rose Y30 to Y1,060 and Fujitsu gained Y35 to Y800.

Mining, however, was the biggest loser, falling 1.5 per cent on lower gold prices. Mitsui Mining and Smelting fell Y12 to Y571, while Sumitomo Metal Mining fell Y30 to Y1,100.

Toagosei Chemical jumped Y60 to Y700 on reports that it had developed a non-toxic pesticide, which also fertilises crops.

Speculative issues gained ground on buying by short term dealers. Nippon Carbon rose Y11 to Y699. However, Nissan Motor, which was recently purchased on speculative interest, lost Y21 to Y736.

Nippon Telegraph and Telephone rose Y7,000 to Y972,000, while large capital issues were mixed with Nippon Steel retreating Y1 to Y400 and Mitsubishi Heavy Industries advancing Y4 to Y716.

In Osaka, the OSE average gained 128.65 to 23,063.96 in volume of 21.7m shares. Investors bought high-technology issues, while constructions and financials were also higher.

Roundup

THE region saw a mixture of performances yesterday driven mainly by domestic issues.

HONG KONG fell back on news that China had decided not to support its currency on some of its semi-official swap markets. The news affected companies with a significant exposure to China as the yuan declined sharply.

The Hang Seng index lost 53.58 to 7,322.23 in turnover of HK$3.7bn against Tuesday's HK$3.9bn.

Stocks such as Henderson Land, New World Development and Hutchison Whampoa bore the brunt of the day's declines, due to their heavy commitment to Chinese projects.

Both the **SHENZHEN** and **SHANGHAI B** share indices eased , the latter by nearly 6 per cent.

SINGAPORE was led lower by declines in Cycle and Carriage. The Straits Times Industrial index fell 4.13 to 1,890.31 with Cycle and Carriage down 30 cents to S$6.95. The stock has been active since last Friday's announcement that Jardine Matheson had raised its stake to 24 per cent.

SEOUL was strong in pharmaceuticals on expectations that the government might provide financial support. Dong-A Pharmaceutical registered the daily limit high of Won800 to Won20,000 and Il-Yang Pharmaceutical rose Won1,000 to Won25,300.

The composite index advanced 7.84 to 758.81 in turnover of Won984.9bn.

MANILA fell on news of a contraction in first quarter GDP, although some analysts remarked that the figures were slightly better than expected.

The composite index shed 7.7 to 1,572.56 in turnover of 192.2m pesos.

KUALA LUMPUR improved on Tuesday's record high although activity was reported to have been less active as brokers imposed buying restrictions on retail investors.

The composite index edged up 1.21 to 741.27 as volume slipped to 337m shares against Tuesday's 391m.

JAKARTA also hit a second consecutive peak, banks rising as the JKSE index closed 4.14 higher at 345.99 in active trade.

AUSTRALIA was lifted by a strong industrial sector and a recovery in the futures market. The All Ordinaries index gained 8.0 to 1,741.9. Turnover was A$290.4m.

The gold index fell 71.1 to 1,868.9 as the price of the commodity fell both locally and overseas.

BANGKOK was encouraged by strong buying of two newly listed property groups and the SET index closed 2.06 higher at 820.90 in turnover of Bt4.3bn.

BOMBAY rose on short-covering in thin trade, the BSE index closing 52.46 higher at 2,245.20.

EUROPE

Construction stocks weaken in Frankfurt

BOURSES were mostly uncertain yesterday, *writes Our Markets Staff.*

FRANKFURT rose overall, the DAX index closing 5.32 higher at 1,625.31, but sentiment was susceptible to bearish news at the level of sectors and individual companies.

Turnover rose from DM3.5bn to DM3.7bn. Construction stocks weakened following Tuesday's bearish note on the sector from Merck Finck in Düsseldorf, Bilfinger & Berger dropping DM9 to DM945, Hochtief DM19 to DM1,090, and Philipp Holzmann by DM15 to DM960 after setting its rights issue price at DM650 a share a day earlier.

Mannesmann, which fell on Tuesday after a slide in 1992 earnings and a dividend cut, lost another DM3.20 to DM247.80 as news focused on the forecast of a loss for the first half of the current year.

The day's exception was the trading, metals and engineering group Metallgesellschaft, which announced a 39 per cent drop in first half profits but gained DM10.50 to DM302.50 because, said brokers, expectations had been even worse.

MILAN was unnerved by the discovery of a car bomb near the parliament building which came soon after the arrest of another Mafia leader. Some analysts commented that although this bomb had been defused, the fact that it had been planted, in spite of increased security following last week's explosion in Florence, could deter the inflow of foreign investment. The Comit index lost 3.41 to 541.80.

The market was also depressed overall by a 6 per cent fall in Fiat, down L350 to L5,590 on the kerb, having fixed at L5,810.

There were rumours that some Fiat shareholders, including US investment funds, might be considering legally contesting the group's annual accounts.

Support for the market came from Stet and Montedison, which saw respective gains of L60 and L32 to L3,250 and L1,182. However, on the kerb both retreated to L3,185 and L1,157.

PARIS moved in a narrow range with activity reported to have been moderate throughout the session. The CAC-40 index slipped 3.04 to 1,875.84, after a day's high of 1,881 and a low of 1,863. Turnover was estimated at a low FFr1.9bn.

Peugeot slipped just FFr1 to FFr530 on provisional reports of a 24 per cent fall in sales in May and forecasts of a 13 per cent fall in new car sales in France this year.

Total advanced FFr1.70 to FFr266.30 after the group forecast steady first half operating profit. Bouygues was another strong performer, up FFr8 at FFr678, as the group said that it was confident about the outlook and announced the award of a FFr500m contract in Hong Kong.

Elf Sanofi put on FFr12 to FFr924 as investors continued to react to Tuesday's news that it was to co-operate with two US groups in the development of new drugs.

ZURICH ended mixed to slightly higher, the SMI index rising 6.0 to 2,258.9 in thin volume. BBC Brown Boveri, which placed 126,147 bearer shares on the bourse at just below market price, fell SFr12 to SFr818 although analysts said that the dilutive effect of the new shares was minimal.

BRUSSELS saw falls in senior blue chips as the Bel-20 index fell 10.13 to 1,182.66. Société Générale de Belgique lost BFr65 to BFr2,105 and Petrofina BFr170 to BFr6,000 as the bourse reacted to bearish economic news.

STOCKHOLM was pressured by a decline in the forestry sector, partly as a result of the weaker dollar. The Affärsvärlden general index fell 13.6 or 1.3 per cent to 1,068.9 in turnover up to SKr957m from SKr752m.

Stora, Europe's largest pulp and paper group, dropped SKr15 to SKr314 in the A's and SKr8 to SKr321 in the B's.

HELSINKI fell sharply on profit-taking for the second successive day, the Hex index losing 31.9, or 2.7 per cent to 1,155.0, 9 per cent down from its May 21 peak. **OSLO** fell on the weaker dollar and higher money market rates, the all-share index losing 4.35 to 470.11.

TEL AVIV fell again, the Mishtanim blue chip index losing 3.14 to 200.19 on sales by speculators and small portfolio managers.

FT-SE Actuaries Share Indices

June 2 THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1156.30	1154.68	1153.04	1153.20	1153.60	1153.91	1154.86	1155.78
FT-SE Eurotrack 200	1220.25	1217.27	1215.45	1215.12	1215.67	1215.68	1214.25	1215.58

	June 1	May 28	May 27	May 26	May 25
FT-SE Eurotrack 100	1153.22	1161.58	1165.01	1166.51	1164.13
FT-SE Eurotrack 200	1215.43	1224.85	1231.31	1226.78	1224.16

Base value 1000 (26/10/90) High/day: 100 - 1156.30; 200 - 1220.25 Low/day: 100 - 1153.23 200 - 1212.07.

SOUTH AFRICA

JOHANNESBURG gold shares finished off their lows but remained sharply down – 157, or 8.5 per cent lower at 1,699 – after the bullion price failed to bounce from its overnight slide and anxious players marked down prices in anticipation of heavy selling. Industrials were 14 off at 4,509 and the overall index was 79, or 2 per cent, lower at 3,902.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 1 1993								MONDAY MAY 31 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	134.79	-1.4	128.65	91.34	111.57	131.93	-0.3	3.77	136.74	129.87	92.66	112.82	132.37	144.19	117.39	151.91
Austria (18)	144.71	-0.6	136.32	98.06	119.77	119.70	-0.5	1.72	145.56	135.25	98.64	120.10	120.34	150.96	131.16	172.56
Belgium (42)	146.46	-0.6	140.00	99.24	121.22	118.26	-0.3	4.80	147.31	139.91	99.81	121.54	118.61	156.76	131.19	144.39
Canada (108)	128.08	-0.9	122.43	86.78	106.00	117.97	-0.8	2.80	129.22	122.73	87.56	106.61	118.96	129.97	111.41	127.40
Denmark (33)	216.92	-1.1	207.35	146.99	179.54	180.11	-0.7	1.25	219.34	208.32	148.63	180.97	181.38	225.64	185.11	253.61
Finland (23)	97.84	-2.4	93.53	66.30	80.98	110.63	-2.2	1.11	100.23	95.19	67.92	82.70	113.11	100.92	65.50	77.78
France (96)	156.46	-1.1	149.56	106.01	129.49	131.92	-0.8	3.40	158.16	150.21	107.16	130.48	132.98	167.36	142.72	185.82
Germany (62)	112.16	-0.9	107.21	76.01	92.83	92.83	-0.6	2.29	113.20	107.52	76.72	93.40	93.40	117.10	101.59	123.84
Hong Kong (55)	299.63	+0.1	286.41	203.03	248.01	297.11	+0.1	3.14	299.30	284.27	202.81	246.95	296.78	301.81	218.82	254.05
Ireland (15)	163.67	-0.1	156.46	110.91	135.47	150.74	+0.4	3.52	163.79	155.57	110.99	135.14	150.21	170.40	129.28	157.59
Italy (73)	70.69	+0.9	67.58	47.90	58.51	77.69	+1.5	2.31	70.05	66.53	47.47	57.80	76.54	72.82	53.78	73.14
Japan (470)	150.72	+0.0	144.08	102.13	124.77	102.13	+0.0	0.81	150.66	143.11	102.10	124.34	102.10	152.58	100.75	105.08
Malaysia (69)	346.47	+0.7	331.19	234.77	286.76	340.77	+0.6	1.98	344.03	326.75	233.12	283.84	338.80	346.47	251.66	234.29
Mexico (18)	1494.74	+0.1	1428.81	1012.88	1237.17	5094.85	+0.1	1.33	1493.02	1418.03	1011.71	1231.86	5092.24	1725.81	1410.30	1695.91
Netherland (24)	168.34	-1.3	160.91	114.07	139.33	137.14	-1.0	4.03	170.52	161.96	115.55	140.70	138.53	172.75	150.39	161.83
New Zealand (13)	49.01	-0.3	46.84	33.21	40.56	48.11	+0.2	4.75	49.14	46.67	33.30	40.55	48.02	49.82	40.56	47.46
Norway (22)	158.08	-1.0	151.11	107.12	130.84	145.05	-0.8	1.82	159.74	151.72	108.25	131.80	146.25	166.21	137.71	187.62
Singapore (38)	260.49	+0.4	249.00	176.51	215.60	192.18	+0.0	1.79	259.43	246.40	175.80	214.05	192.18	260.49	207.04	226.49
South Africa (60)	198.60	-0.2	189.84	134.58	164.38	200.33	-0.4	2.50	199.01	189.01	134.85	164.19	201.07	201.01	144.72	246.87
Spain (46)	128.94	+0.3	123.25	87.37	106.72	122.73	+0.5	4.86	128.55	122.10	87.11	106.07	122.17	132.82	115.23	161.72
Sweden (36)	181.22	-1.5	173.23	122.80	150.00	193.03	-1.2	1.75	184.06	174.81	124.73	151.87	195.37	184.06	149.70	199.78
Switzerland (55)	127.84	-1.2	122.20	86.63	105.82	112.90	-0.7	1.92	129.36	122.86	87.66	106.74	113.72	129.36	108.91	107.75
United Kingdom (219)	179.29	-0.4	171.38	121.48	148.38	171.38	+0.3	4.05	179.97	170.93	121.94	148.48	170.93	181.99	162.00	198.48
USA (519)	185.53	+0.9	177.35	125.73	153.57	185.53	+0.9	2.76	183.94	174.70	124.65	151.77	183.94	186.27	175.38	169.72
Europe (766)	146.98	-0.6	140.50	99.60	121.66	132.74	-0.2	3.36	147.94	140.50	100.25	122.06	132.99	149.02	133.82	156.60
Nordic (114)	169.19	-1.5	161.73	114.65	140.04	159.02	-1.2	1.57	171.77	163.14	116.40	141.72	160.90	171.77	142.13	187.34
Pacific Basin (713)	154.51	+0.0	147.69	104.70	127.88	108.86	+0.0	1.08	154.51	146.75	104.70	127.49	108.83	156.31	105.89	111.50
Euro-Pacific (1479)	151.30	-0.3	144.63	102.52	125.22	119.27	-0.1	1.99	151.70	144.08	102.79	125.16	119.34	152.78	117.26	129.76
North America (627)	181.95	+0.8	173.93	123.31	150.62	180.94	+0.8	2.76	180.53	171.46	122.35	148.98	179.52	182.38	171.51	166.13
Europe Ex. UK (547)	126.98	-0.8	121.38	86.06	105.12	111.00	-0.5	2.88	128.05	121.61	86.79	105.67	111.55	128.65	112.51	131.67
Pacific Ex. Japan (243)	192.09	-0.3	183.62	130.19	159.01	176.95	+0.0	3.09	192.58	182.91	130.52	158.91	176.88	194.08	152.70	174.79
World Ex. US (1665)	151.80	-0.3	145.11	102.87	125.65	121.36	-0.1	2.01	152.22	144.57	103.16	125.60	121.46	153.23	118.51	132.00
World Ex. UK (1965)	160.42	+0.2	153.34	108.71	132.79	138.06	+0.3	2.11	160.07	152.03	108.48	132.09	137.68	160.80	134.22	138.20
World Ex. So. Af. (2124)	161.95	+0.2	154.81	109.75	134.05	140.65	+0.3	2.29	161.69	153.57	109.57	133.42	140.25	162.36	137.29	142.71
World Ex. Japan (1714)	170.05	+0.2	162.55	115.24	140.77	162.76	+0.4	2.97	169.66	161.16	114.99	140.02	162.13	170.05	157.47	164.92
The World Index (2184)	162.09	+0.2	154.94	109.84	134.17	141.16	+0.3	2.30	161.84	153.71	109.67	133.54	140.77	162.50	137.32	143.39

Latest prices were unavailable for this edition. Singapore market closed June 1.

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday June 4 1993

INSIDE

Moody's reviews BT debt after MCI deal

Moody's, the US-based credit rating agency, has placed the long-term debt of British Telecommunications, currently rated AAA, under review for possible downgrade, in response to its strategic alliance with MCI Communications. Page 26

Rentokil nears end of phoney war

The first hostile bid by Rentokil, the UK environmental and property services company, for Securiguard, the guarding and cleaning company, has so far been quite polite. Page 27

CSFB completes shake-up

CS First Boston, the New York-based global investment bank, confirmed it had completed a year-long process of integrating the management of its main business lines into product, rather than geographic, groupings. Page 24

Tied up in Thailand

Moves by the Stock Exchange of Thailand to introduce more rigorous rules for disclosure of information by listed companies are being criticised by stockbrokers as clumsy and unrealistic. Brokers are upset by hints that listed companies may be less forthcoming, and the move is likely to do little to lessen insider trading. The irritation of international brokers was all the greater because of the absence of official English language copies of the rules. Page 25

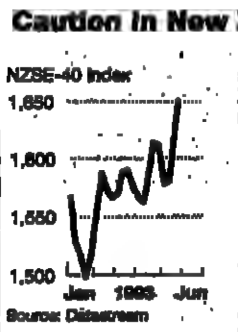
Fee income lifts CIBC

Canadian Imperial Bank of Commerce benefited from stronger fee income and lower loan-loss provisions in the second quarter of fiscal 1993. Page 23

Power Corporation's big stick

Power Corporation of Canada's annual meeting last month demonstrated once again why the Montreal-based financial services and media group has gained a reputation for speaking softly but wielding a big stick. Page 24

Caution in New Zealand



Caution is the overriding sentiment on the New Zealand stock market, five months away from an unpredictable election outcome. Leading shares are determinedly stuck in a narrow trading band in spite of a solid flow of good economic and positive business news. This lack-lustre performance is at odds with economic news. Back Page

Japanese tighten their belts

The Japanese non-ferrous metals industry is faced with its worse crisis since the two oil shocks of the 1970s. The economic bubble of the late 1980s has well and truly burst leaving the Japanese little choice but to tighten their belts. Already there are concerns that traditional work practices will not survive the changes needed. Page 32

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**Rises**			
Rises				Cap Gemini S	181.9	+	8.8
Berliner Bank	162.5	+	9	Roussel-Uclaf	555	+	17
Didier-Werke	128.5	+	4.5	**Falls**			
Varta	279.5	+	4.5	Bouygues	652	-	26
Viag	350.8	+	6.8	Eridania B-Say	718	-	21
Falls				Michelin B	134.7	-	6.3
Linotype-Hell	434	-	6	Promodes	700	-	40
Metallgesellschaft	297	-	5.5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Ando Electric	1480	+	200
Compaq Computr	61¼	+	1⅛	Fuji Electric	560	+	32
Fieldcrest Cn	28¾	+	1¼	Hino Motors	795	+	47
Falls				Kumagai-Gumi	580	+	33
Dayton Hudson	65⅞	-	2⅞	Mitsubishi Mtrs	838	+	48
Federal Exprss	46½	-	3⅜	**Falls**			
Tandem Computr	12⅞	-	⅝	Izumiya	1750	-	50
Wal-Mart Strs	27¼	-	1⅛				
PARIS (FFr)							

New York prices at 12.30.

LONDON (Pence)				Pittencrieff	308	+	12
Rises				Protean Int	367	+	22
Alphameric	43	+	8	Reliance Secur	133	+	6
Asda Prop	93	+	8	Rowe Evans	53	+	12
Benzam	115	+	20	Sidlaw	350	+	20
Bett Bros	83	+	5	VSEL	795	+	26
Colorvision	160	+	9	**Falls**			
Creston	†18½	+	3½	Blenheim	485	-	28
Doeflex	147	+	12	Caird	17½	-	7½
French (Thos)	74	+	12	Gt Portland	193	-	12
Hartstone	41	+	3	Phoenix Timber	23	-	7
Instem	142	+	7	SmKl Beecham A	461	-	14
LSW	180	+	7				
Monarch Res	197	+	7				

† Price at suspension.

Passenger trend pushes KLM into the red

By Ronald van de Krol in Amsterdam

KLM Royal Dutch Airlines swung into a heavy loss of Fl 562m ($312m) last year, partly because of a trend among passengers to choose tourist class over business and first class.

Losses also continued at Northwest, the Dutch group's minority-owned US airline.

The loss for the year to March compares with a net profit of Fl 125m the year before. Passenger traffic rose, but the airline saw a sharp increase in demand for cheaper seats, resulting in a 9 per cent decline in average yields. The guilder's strength and fierce international competition aggravated the downturn.

KLM has written down the remaining Fl 438m book value of its Northwest stake to zero, compared with the $400m it paid for the shares in 1989.

This accounts for the widening of total losses in associate airlines to Fl 388m from Fl 145m.

The figure would have been worse had it not been for the profits posted by the Dutch charter airline Martinair.

Mr Pieter Bouw, president, said: "This does not, however, mean that we have written off Northwest Airlines. Nor that we have waived [our] loans to Northwest."

The Dutch airline is to omit its 1992-93 dividend. In 1991-92 KLM had resumed dividends after a one-year hiatus.

Operating profit plummeted to Fl 96m from Fl 416m. Turnover rose 4 per cent to Fl 8.22bn, but costs increased at a rate of 8 per cent to Fl 8.13bn, although this was well below the 14 per cent increase in capacity.

On balance, KLM staff achieved a 13 per cent increase in productivity.

Financial expenses widened to Fl 348m from Fl 253m.

Mr Bouw said KLM planned to redouble efforts to reduce costs and return to profitability. This would include a reconfiguration of seats in its Boeing 747 fleet to increase the size of tourist class and reduce the availability of first and business class.

Other measures might include taking aircraft out of service and pruning the route network.

He said he was optimistic about co-operation talks between KLM, SAS, Swissair and Austrian Airlines.

But he conceded that the launch of formal negotiations would be slowed down by recent calls in Switzerland and Austria for the two countries' carriers to look into alternatives to the four-way European link-up.

Volvo takes over food group

By Hugh Carnegy in Stockholm

THE Swedish government and Volvo, the car and truck maker, yesterday resolved an 18-month dispute over the future of Procordia, the food and drugs group, by agreeing to split the company in two with Volvo taking over the food and consumer products side of the business.

In a share swap deal, to be completed in the autumn, the government will become the majority shareholder in Procordia's pharmaceutical and biotechnology businesses, including 51 per cent of Erbamont, an Italian drugs company acquired in May from Italy's Montedison. Volvo, Sweden's biggest industrial group, will take a 74 per cent share in the demerged non-drug Procordia units, and seek to buy the remaining 26 per cent held publicly.

It will retain a 25 per cent stake in Procordia's pharmaceutical operation, with the option to increase its holding to a maximum of 35 per cent as the government carries out its plan to privatise its stake over the next 18 months.

Volvo holds 39.5 per cent of Procordia's equity and 42.8 per cent of its voting rights, while the state holds 34.2 per cent of the capital and 42.7 per cent of the votes.

The deal ends a prolonged tussle between Volvo and the conservative-led government, which last year blocked a move by Mr Pehr Gyllenhammer, Volvo's chief, to merge with Procordia to bolster the loss-making carmaker.

It valued the new streamlined Procordia, with sales last year of SKr15.4bn, at SKr31.5bn and the hived-off food section – with sales of Skr26bn – at SKr14.4bn, a combined value of SKr4bn more than Procordia's market value on Wednesday of SKr42bn.

The Stockholm stock market reacted positively, with Procordia's most-traded B shares closing up SKr29 at SKr193 at its suspension prior to the announcement.

Volvo's B shares also moved up SKr16 to close at SKr406. Mr Gyllenhammer said the deal gave Volvo a profitable new operation with enhanced cash flow. He said Renault, the French vehicle maker with which Volvo is developing a deepening strategic alliance, had welcomed the agreement as a strengthening of its partner.

End of wrangle, Page 22;
Lex, Page 20

Quentin Peel reports on the German car maker's action to stem losses

Volkswagen hopes to return to profit during third quarter

VOLKSWAGEN, Germany's troubled motor manufacturer, hopes to be back in profit by the third quarter of the year, after a record DM1.25bn ($780m) loss in the first three months, shareholders were told yesterday.

Radical cost-cutting, including short-shift working in many parts of the company, brought it to the brink of break-even during one of the months of the second quarter, Mr Werner Schmidt, the group's chief financial officer, told the annual meeting in Hamburg.

Mr Ferdinand Piëch, chief executive, said that production had been cut by 200,000 units in the January-May period, compared with a year earlier, to reflect falling demand, especially in the German market.

He confirmed the gloomy figures for 1992, in which VW lifted its turnover by 12 per cent to DM85.4bn, increased output by 8 per cent to 3.5m vehicles, and productivity by nearly 10 per cent, and yet saw pre-tax profits slump 66 per cent to DM602m.

He said that in the first four months of 1993 the total car market in Germany shrank by 20 per cent and by 17 per cent in the major European markets. Although the market in the US declined by only 0.1 per cent during the same period, VW saw its own sales fall 8.8 per cent.

The major cause was a delay in production of the new Golf from the company's Mexico plant, after a strike in 1992.

Overall, the group saw a decline in sales of nearly 12 per cent, or 144,000 vehicles, with the Audi and Spanish-manufactured Seat models suffering disproportionately, while VW brands lost only 8.5 per cent.

The one piece of good news he reported was an increase in sales of Czech-manufactured Skoda cars, which increased by 22.9 per cent. As a result, the company was unable to meet the full extent of demand with its current capacity, he said. Mr Piëch, spelt out the cost-cutting measures he had already implemented, including "massive" short-time working,rationalisation of production, reduction of purchasing prices for suppliers, and personnel cuts in all departments.

He said that investment spending had been cut by 50 per cent for the whole of 1993, in order to provide more immediate liquidity. At Audi and Seat that meant a halt to all new investment for the year.

"We have done everything necessary to ensure that Volkswagen returns to the black as soon as possible," he said. "That will not be the case in the second quarter, but we believe we will achieve the turnround by the third quarter."

He said that the difficult situation for the group was not merely a reflection of the slump in the car market: "The real causes are rather structural problems in the whole industry, which have now come to light as a result of the recession. It is our task to manage the structural changes needed in the coming years."

Ferdinand Piëch, Mr Klaus Liesen and José Ignacio Lopez de Arriortuá before the shareholders' meeting

'We have done everything necessary to ensure Volkswagen returns to the black'

Board pledges confidence in Lopez

THE supervisory board of Volkswagen yesterday pledged its "unconditional confidence" in Mr José Ignacio Lopez de Arriortuá, its new production and purchasing director, and denounced the campaign by General Motors, his former employer, to "discredit" him.

"The supervisory board emphatically rejects the accusation that Mr Lopez and seven colleagues broke their obligations of secrecy to their former employers at Opel and General Motors," Mr Klaus Liesen, chairman of the board, told the annual shareholders' meeting.

Mr Ferdinand Piëch, the chief executive, said that the way in which GM had attempted "to discredit not only the blameless reputation of Mr Lopez and his colleagues, but also the image of the whole VW concern was incomprehensible".

He revealed that the seven former GM employees who followed Mr Lopez to VW had started legal action against the US motor manufacturer. They were demanding that GM refrain from any action affecting their working relationship with VW and that it retract its allegations. That action was supported by both VW and Mr Lopez.

Mr Liesen, responding to rumours that Mr Lopez is earning more than $5m a year, said his salary amounted to "less than one third of this sum".

He said Mr Lopez was "of high intelligence and unusually great creativity, who shows ways in which the European automobile industry can survive competition with Japanese and other producers. This is an ambition of historic importance."

SMH shrugs off recession as profits rise by 64%

By Ian Rodger in Bern

SMH, the group that rescued the Swiss watch industry in the early 1980s, continues to buck the recession, with a 64 per cent rise in 1992 net profit to SFr413m ($290m), higher dividends and a forecast of further brisk growth.

"We hope that we shall record a considerable increase in profit and sales this year," Mr Nicolas Hayek, chairman, told the group's annual press conference yesterday.

Mr Hayek pointed out that the group was planning for sales to double over the next five years to SFr5.5bn.

SMH is best known for its Swatch watches, but it also makes several other famous brands – including Blancpain, Omega, Longines, Tissot and Rado – and is an important supplier of watch components to third parties. It has begun making a line of Swatch telephones and is developing an environmentally-friendly Swatch car.

The car project suffered a setback in January when SMH's partner, Volkswagen, withdrew. Mr Hayek said SMH was continuing to negotiate with other potential partners. The project was absorbing about 5 per cent of SMH's investment budget, he said.

Mr Hayek said last year was "the best ever" for the world watch industry, with production up 4 per cent to 860m units. SMH's sales surged 12 per cent to 86.9m units.

This year, in spite of dull economic conditions in many key markets, "we have found that our watch sales are still growing," he said.

Sales were up more than 16 per cent in the first four months and profit growth was higher.

He predicted that the group would have net cash balances of SFr1bn by the end of the year, compared with SFr262m at the end of 1992, but said no acquisitions were planned.

The group has a seven year unbroken record of profit and dividend increases.

The directors have proposed a 28.6 per cent rise in dividends for 1992, to 18 per cent of the nominal value of its two classes of shares and participation certificates.

One key to last year's profit rise, according to Mr Edgar Geiser, the finance director, was a big productivity improvement as a result of heavy investment. While the group's wage bill went up by 10 per cent, the value added per employee soared 27 per cent to SFr 91,000.

French and South African group captures stake in Sun Alliance

By Richard Lapper

TRANSATLANTIC Holdings, the financial services group owned jointly by French and South African interests, yesterday announced the acquisition of a "strategic" stake in Sun Alliance, one of the UK's biggest insurance groups. Transatlantic, which already owns 50 per cent of Sun Life, the life insurer, bought 400,000 shares on Wednesday, increasing its stake to more than 3 per cent and making it one of Sun Alliance's largest shareholders. Stock exchange rules make disclosure of stakes of more than 3 per cent obligatory.

Mr Donald Gordon, the South African entrepreneur who is chairman of Transatlantic, said: "We see them as a strategic investment in embryo. We will obviously give it more attention than before."

Mr Gordon compared the investment with more than a dozen built up by Liberty Life, the South African life insurance group, which owns 50 per cent of Transatlantic.

He said that Transatlantic's involvement in Sun Life had begun in a similar way in the mid-1980s.

Observers predicted Mr Gordon would soon move to increase his stake. "If I was Sun Alliance I'd feel nervous now. Donald Gordon is very oriental. He takes a long term view," said one merchant banker.

Union des Assurance de Paris, the French state-controlled insurer, which owns 50 per cent of Transatlantic, is also thought to be keen to expand into the UK general insurance market.

In spite of suffering heavy losses in recent years, Sun Alliance had "the highest solvency, an excellent portfolio and a lot of potential," said Mr Gordon.

The group was well placed to benefit from recent rises in insurance rates and from the appointment last month of Sir Christopher Benson as its new chairman.

Kaufhof expects sharp increase in earnings for year

By Ariane Genillard in Bonn

PROFITS at Kaufhof, the German retailing group, are expected to rise significantly in spite of the difficult economic climate in Germany, Mr Jens Odewald, chief executive, said yesterday.

The group said that it planned to create 7,000 new jobs by 1995, of which 5,000 would be in Germany. Kaufhof said it would add 73 new businesses to its 1,012 branches by the end of the year. European countries other than Germany account for 20 per cent of the company's sales.

Group sales in the first five months of the year increased by 6.2 per cent to DM8.2bn ($5.1bn). For the whole of 1992 sales were DM22.5bn.

Results were boosted by sales in eastern Germany which rose in 1992 by 29 per cent. In comparison, sales in the western part of the country increased by 7.8 per cent.

Mr Odewald did not comment on the 1993 dividend but said the company's reserves would be significantly strengthened this year.

Kaufhof plans to pay an unchanged DM12 dividend for 1992.

The company is particularly benefiting from its expansions beyond department stores, where sales fell by 2.2 per cent to DM3.6bn for the first five months. In contrast, sales in its speciality stores, which include computer and home entertainment shops, are booming.

Boots chief defends strategy as profits rise

By Neil Buckley in London

SIR James Blyth, chief executive of Boots, the UK retailing and pharmaceuticals group, vigorously defended his company's strategy yesterday, as he unveiled an 18.9 per cent increase in pre-tax profits to £405.2m ($624.4m).

Sir James attempted to quell fears in the City of London that margin growth at Boots the Chemists – the group's best-performing division – was threatened by price competition from rivals, and that profits at its second-biggest division, Boots Pharmaceuticals, could be hit by problems with its Manoplax heart drug.

But his comments and the profit figures, which were in the mid-range of City forecasts, could not stop Boots's share price falling 3p to 444p. The shares have underperformed the market by almost 25 per cent since January.

"Boots has not stopped being a good company, but there is still a big perceived risk surrounding its strategy," said one analyst yesterday.

Pre-tax profits for the year to March increased to £405.2m from last year's £340.7m – restated according to the FRS3 accounting standard – on turnover up 8.2 per cent at £3.96bn.

The profits improvement was due partly to last year's figure being depressed by a £15.8m exceptional provision for a loss on discontinued operations, while this year's profit was boosted by a lower interest charge of £16.5m, against £43.1m last year, reflecting a reduction in debt from £362.3m to £203.5m.

The total dividend increased by 1p to 13.4p, while earnings increased by 17.4 per cent to 27p. Operating profits rose 5.5 per cent to £421.7m, but only two of Boots's four divisions increased their contributions.

Boots Properties, the property management division, raised operating profits 2.5 per cent to £53.1m, while Boots the Chemists raised profits as forecast from £246.2m to £285m.

Lex, Page 20

Satisfactory solution to Procordia wrangle

Hugh Carnegy on the resolution of the dispute between the government and Volvo

Mr Pehr Gyllenhammar, Volvo's long-serving chairman, was showing something of his old jaunty self-confidence yesterday as he sat wreathed in smiles alongside Mr Carl Bildt, the Swedish Prime Minister, for the announcement that the government and Volvo had finally resolved their wrangle over Procordia, the big food and pharmaceuticals group.

The past 18 months have been tricky for PG, as Mr Gyllenhammar is widely known in Sweden. Volvo, a few years ago one of the world's most profitable vehicle makers, has become bogged down in heavy losses, forcing it to close plants Mr Gyllenhammar designed as model workplaces; last year, Mr Bildt's conservative-led government blocked Mr Gyllenhammar's attempt to merge Volvo and Procordia as a way to help Volvo out of its troubles; finally, in April, PG suffered the indignity of having to disclose his salary and benefits as a result of pressure from small shareholders restive over his autocratic rule of the company.

Now, the Procordia issue at least has turned out more or less as Mr Gyllenhammar originally intended.

In early 1992, Mr Gyllenhammar proposed a merger with Procordia by way of a reverse takeover of Volvo, which at the time held 39.5 per cent of the food and drugs group's equity and 42.7 per cent of its voting rights.

But the government, then with 34.2 per cent of the equity but also with 42.7 per cent of voting rights objected, saying, in effect, that its privatisation plans did not include handing over prime goods at knock-down prices to the country's largest manufacturer.

Mr Gyllenhammar's strategy of building a new conglomerate in which a weakened Volvo


Pehr Gyllenhammar: past 18 months have been tricky

acquired an additional profitable pillar outside the motor industry was thrown into doubt, and was little clarified by a later holding agreement with the government allowing Volvo to remain the largest shareholder in Procordia.

Yesterday's deal, in which Volvo will become the 100 per cent owner of Procordia's food and consumer products business, looks to have put the strategy largely back on track. The wholly-owned chunk of Procordia will add SKr25bn ($3.48bn) in annual turnover – expanding Volvo's group turnover by about one third. More important, it will contribute about SKr2bn in profits and SKr1bn or more in cash flow to beleaguered Volvo, which showed a SKr331m loss in the first quarter.

On the face of it, Volvo has given up the chance to take over the pharmaceutical side of Procordia, with annual profits of around SKr3bn. But it will almost certainly build up its stake to 35 per cent. Once the government sells off its stake of around 50 per cent, Volvo will be the dominant shareholder.

Volvo will have to stump up both for the 26 per cent of the food business still publicly held and for any additions to its 25 per cent stake in the drugs side. But, as Mr Gyllenhammar acknowledged yesterday, Volvo in its present weakened state could not have afforded a straight takeover of Procordia.

Questions may well still be asked about the overall strategy of diversifying into Procordia – not least by Renault, Volvo's vehicle-making partner. But Mr Gyllenhammar can at least argue that the direction is once again clear.

"Volvo is going to be a company with two important elements," he said yesterday. "By far the biggest one is to be an industrial partner in one of the biggest automotive combinations in Europe, and the other is to have a non-cyclical business that will be stable and give continuous cash flow to the parent company."

German insurer maintains payout

AACHENER und Münchener Beteiligungs, the German insurance group, reports a slight dip in net profits for 1992 but says earnings for this year should be broadly maintained, Reuter reports from Aachen.

The company made a net profit of DM73.2m ($45.8m) last year, against DM74.1m in 1991. It is paying an unchanged DM12.50 a share dividend for 1992 and plans to hold this rate of payout in the current year.

Mr Wolfgang Kaske, chief executive, told the annual press conference that 1993 would be a year of consolidation, adding AMB was well-equipped to deal with the currently difficult trading conditions.

Last year had been a year of change, marked by the turbulent addition of French state-owned insurer Assurances Générales des France (AGF) to AMB's list of shareholders and the sale of a large stake in its BfG Bank.

Following the recent sale of a 21 per cent stake in AMB by Italian insurer La Fondiaria to a number of German banks and insurers, the AMB group would have a solid shareholder structure, Mr Kaske said.

He said AGF and AMB would be looking to expand their co-operation in the area of home finance. AMB was currently trying to export the German concept of "save-and-build" to France by means of AGF's distribution network, Mr Kaske added.

Czech brewer plans modernisation

By Patrick Blum in Prague

PLZENSKE Pivovary, the Czech brewer which makes Pilsner Urquell beer, said yesterday that it would shortly announce a strategy for modernisation and marketing along with financing plans.

Mr Mario Junek, chief financial officer, said Plzen had invested heavily to raise production capacity over the past three years to compete with European breweries, but it had been hit by delays in completing its privatisation, and declining export sales.

Mr Junek firmly denied reports that the company was facing bankruptcy.

"We have made large investments to improve technology and quality. Now we are waiting for a decision on [completing] privatisation.

"We have many possibilities to finance our modernisation. It would be no problem raising money on the international capital markets," Mr Junek said.

The company was 67 per cent privatised last year in the first wave of voucher privatisation, with the bulk of the shares being taken by investment funds.

Prazdroj, the largest of Plzen's four breweries, was not included in the privatisation.

Heineken, the Dutch brewer, has said it is interested in co-operation with the Czech brewer.

Cap Gemini blames losses on overstaffing

By Alan Cane in Paris

CAP GEMINI SOGETI, the French-based computing services company in which Daimler Benz of Germany has a 34 per cent stake, yesterday blamed its 1992 losses on the economic situation coupled with management failures to deal early enough with overstaffing and sluggish marketing.

Mr Serge Kampf, chairman, said there had been an appreciable decline in the number of orders produced while across the group there had been delays in cutting staff numbers to match lower levels of revenue.

Cap Gemini lost FFr72m ($14m) last year compared with taxable profits of FFr560m in 1991. Revenues grew 18.5 per cent to FFr11.9bn but the increase came entirely from acquisitions.

The group is looking for further equity partners, with an emphasis on telecommunications, and Mr Kampf expressed considerable exasperation over the failure of the French government to indicate whether France Telecom would be allowed to take a stake in the company.

The two companies have been talking for more than a year but complications following Daimler-Benz's acquisition of a 34 per cent stake in Sogeti, the CGS holding company, had delayed a deal. CGS is Europe's leading computer services company and fifth in the world rankings.

Mr Kampf said he now believed that no computing services company could afford to be all things to all clients and that in the future the company would be selective in its choice of activities.

He was gloomy about the prospects for the current year, saying he could see no clear signs of a revival in mainland Europe, although there were brighter indications in the UK where the company owns the computing services group, Hoskyns.

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Lower loan-loss provisions lift results at CIBC

By Bernard Simon in Toronto

CANADIAN Imperial Bank of Commerce benefited from stronger fee income and lower loan-loss provisions in the second quarter of fiscal 1993.

The bank, Canada's second biggest, reported earnings of C$180m (US$142m), or 75 cents a share, in the three months to April 30, compared with a C$440m loss, or C$2.54 a share, a year earlier. Return on equity in the latest period was 10.8 per cent.

Last year's heavy loss was caused by loan writedowns totalling C$1.19bn, largely reflecting CIBC's exposure to Olympia & York, the crippled real estate developer.

Loan-loss provisions in the latest quarter were C$220m, indicating an unchanged estimate of loan losses for the year of C$880m.

Like most of the other Canadian banks which have reported over the past 10 days, CIBC noted a modest improvement in its loan portfolio.

Non-performing loans fell to just under C$3bn on April 30, from C$3.14bn three months earlier.

The bank attributed a 21 per cent jump in non-interest income from the previous quarter to strong earnings from underwriting and brokerage activities, as well as higher foreign exchange and swaps income. Non-interest income rose by 4 per cent over the year.

Assets stood at C$137.9bn on April 30, up C$1.7bn from a year earlier. Thanks to several common and preferred share issues, the bank has boosted its total capital-to-assets ratio from 8.7 per cent to 9.7 per cent over the past six months.

CIBC is the last of the Big Six Canadian banks to report second-quarter earnings.

Although the banks continue to experience problems with their commercial property portfolios, the results point to a gradual improvement in earnings and shareholder returns.

Most of the banks are actively expanding their fiduciary and insurance interests to take advantage of financial-service reforms legislated last year.

The securities businesses which the banks acquired after similar reforms were introduced in 1987 have been significant generators of profit in recent quarters.

● Hees International Bancorp, the Canadian merchant bank, said better first-quarter earnings and an improved business climate should lead to higher profits in the next two years, Reuter reports.

Canadian Banks Second-quarter results (C$m)

3 Months to April 30 1993

	Net Income 1993	Net Income 1992	Loan Loss Provision 1993	Loan Loss Provision 1992	Return on Equity % 1993	Return on Equity % 1992
Royal Bank of Canada	243	212	175	185	13.7	11.6
Canadian Imperial Bank of Commerce (loss)	180	(440)	220	1,187	10.8	-
Bank of Montreal	173	143	183	125	14.2	13.0
Bank of Nova Scotia	172	171	117	110	14.2	16.4
Toronto-Dominion Bank	90	79	150	120	7.5	6.5
National Bank of Canada	40	30	100	94	9.5	5.8

Thomson takes over property developer

By Bernard Simon in Toronto

THOMSON Corporation, the international travel and publishing group, is entering the real estate business by taking over a loss-making US residential developer from another company controlled by Canada's Thomson family.

Thomson insisted yesterday that the deal made sound business sense, noting it had been approved by a committee of independent directors.

The company said the acquisition was "neither material nor significant" to its overall business and it would continue to concentrate on its publishing and travel interests.

Thomson will pay up to US$145m for Markborough Communities (MC), the US community land division of Markborough Properties, which is 83 per cent owned by the Thomson family.

Of the total, $30m will be paid immediately in cash, with the rest coming from cash flows generated by MC's properties over the next five years.

Thomson will first be entitled to recover its initial $30m investment from cash flows.

MC is developing residential communities on 7,900 acres of land in Florida, Texas, Colorado and Arizona.

Markborough Properties yesterday completed the transfer of the community land division to Woodbridge, a Thomson holding company, after taking a C$521m (US410m) writedown on the properties earlier this year.

Woodbridge has further supported Markborough by taking up its full entitlement to the developer's C$250m rights issue earlier this year.

Mr Nigel Harrison, Thomson's chief financial officer, said yesterday that, unlike Woodbridge, Thomson has the operating capacity to manage the developments.

It also has growing US taxable income to take advantage of tax losses incurred by MC. "We would not do this unless it made business sense," he said.

● Curragh, the Canadian zinc producer, has won more time to complete its restructuring and emerge from bankruptcy protection. It owes creditors C$321m.

The company has a two-month extension to August 31 to win court approval for its restructuring. A C$50m equity infusion from Korea Zinc and Samsung, also of Korea, is conditional on Curragh raising another C$25m in equity.

US stores report upturn in May

By Nikki Tait in New York

MANY of the larger US stores groups yesterday reported modest improvements in same-store sales growth during May.

In the previous month, they generally experienced weak sales performances, partly related to the poor weather and partly to renewed doubts about the health of the US economy.

Kmart, the large discount and speciality store group, said that sales in May improved "considerably", for example.

It attributed this to "more seasonable spring weather in many parts of the country", and added there had been a "very strong pick-up in sales in the first week of the June reporting period".

However, despite the upturn, Kmart's total same-store sales rose by a modest 1.1 per cent in May, including a 2.6 per cent increase on the general merchandise side.

Wal-Mart Stores, the nation's top-selling retailer, reported that same-store sales advanced by 6 per cent in May – slightly above the 4 per cent rise now seen for the first four months of the year.

Its Sam's warehouse clubs reported flat like-for-like sales for the month, against a 2 per cent decline in the first four months of the financial year.

Sears, Roebuck, the Chicago-based retailer, fared slightly better – posting a 5.9 per cent increase in same-store sales in its core domestic stores division.

"Almost all merchandise lines reported increases," said Mr Arthur Martinez, chairman of the merchandise division, adding that the strongest increases came in clothing, lawn and garden lines and certain appliances.

Among the department stores, however, JC Penney saw an increase of just 1.9 per cent in the mainline stores; at Federated, there was a 2.6 per cent advance; in the main division of May Department Stores, a 4.2 per cent rise.

Woolworth, which has reported lack-lustre figures recently, posted a 3.8 per cent increase on a same-store basis.

Meanwhile, among the specialty stores, The Gap, the fashion chain which weathered much of the recession in better shape than rival retailers but has lost ground recently, reported only a 3 per cent increase in same-store sales. Its shares fell $1½ to $35¼.

● Sears, Roebuck is ahead of schedule in its plan to reduce debt by more than $3bn, said vice chairman Mr James Denny, Reuter reports from Chicago.

Last autumn, Sears unveiled a restructuring plan to spin off its financial services network and reduce debt by more than $3bn.

The retailer sold 20 per cent of Dean Witter, Discover & Co this winter in an initial public offering, and proceeds were about $865m.

The Allstate offering raised $2.12bn before any exercise by underwriters of overallotment options to buy up to an additional 11m shares. Sears also has entered an agreement for PNC Bank to buy Sears Mortgage Banking Group for $328m.

"I can tell you we are pleased with the values we have received," Mr Denny.

Saga tops estimates for first four months

By Karen Fossli in Oslo

SAGA PETROLEUM, Norway's biggest independent oil company, yesterday reported a sharp rise in pre-tax profits in the first four months of this year to NKr640m ($61m) from NKr269m, helped by higher crude oil prices and increased production.

The result was better than analysts' forecasts and Saga shares improved. Revenues rose to NKr2.08bn from NKr1.64bn. Operating profit increased to NKr658m from NKr378m and net profits more than doubled to NKr209m.

Saga obtained an average sales price of NKr128 per barrel of oil in the four months, against NKr115. Oil sales rose to 10m barrels from 8.3m. Total production of oil, gas and natural gas liquids increased to 1.7m tonnes of oil equivalent, from 1.4m.

Saga said the improved result was also helped by the reversal of a NKr119m unrealised currency loss, in connection with the group's long-term dollar loans.

Net financial expenses were reduced to NKr18m from NKr109m.

Rhône-Poulenc arm buys healthcare stake

By Paul Abrahams

RHONE-Poulenc Rorer, the Franco-American pharmaceuticals group, is investing $113m to acquire about 37 per cent of Applied Immune Sciences, a Californian-based healthcare company that is a leader in immunology.

The Franco-American group also has the right to acquire 6m AIS shares before the end of June 1997, increasing its stake to about 60 per cent.

The two groups plan to collaborate on research and development in gene and cell therapies.

They also intend to create a 50-50 joint-venture to market and distribute cell therapy products and services. The venture will be established immediately in Europe and be expanded worldwide.

The deal gives RPR access to cell therapy, a way of isolating cells from a patient's body, removing them, numerically expanding them, and then putting them back into the patient. It avoids the side-effects associated with traditional drugs.

It will be providing $30m to help fund a network of world-wide centres using AIS's technology.

The investment follows RPR's recent research agreements with the French Centre National de Recherche Scientifique and the Institut Gustave Roussy.

"Yesterday's move is a significant step by RPR's more aggressive and focused management," said Mr Viren Mehta, analyst at New York-based pharmaceuticals specialists Mehta and Isaly.

Air Canada fights approval of American Airlines deal

By Robert Gibbens in Montreal

AIR CANADA is appealing against the National Transportation Agency's approval of American Airlines' plan to pump C$246m (US$193m) of equity into ailing Canadian Airlines International in exchange for a 25 per cent voting stake and close operational links.

Mr Hollis Harris, Air Canada's chairman, said he was taking his appeal to the Federal Cabinet because of doubts over whether Canada could sustain two international airlines.

He maintained that if the two airlines were consolidated, they could create "a strong independent carrier taking a leadership role in the world airline industry".

Canadian can still not consummate the deal with American because it is locked into a joint reservation system with Air Canada. It is now trying to negotiate its way out of this.

INTERNATIONAL COMPANIES AND FINANCE

Power Corporation lets its money do the talking

Recent deals give few clues to the group's long-term strategy, say **Bernard Simon and Robert Gibbens**

POWER Corporation of Canada's annual meeting last month demonstrated once again why the Montreal-based financial services and media group has gained a reputation for speaking softly but wielding a big stick.

Mr Paul Desmarais, chairman and controlling shareholder, gave no hint of Power's business plans, beyond reaffirming the "steady, patient and prudent approach that we always seek to follow".

But he spoke freely about Power's financial muscle, confirming it had access to as much as C$2.5bn (US$1.9bn) in cash, and proudly noting the "very strong balance sheets and credit ratings" of its affiliates. Power has no long-term debt, and earned C$152m in 1992 on consolidated revenues of C$6.1bn.

Observers are left to guess what long-term strategy, if any, lies behind three recent deals which have cemented Power's foothold in international communications:

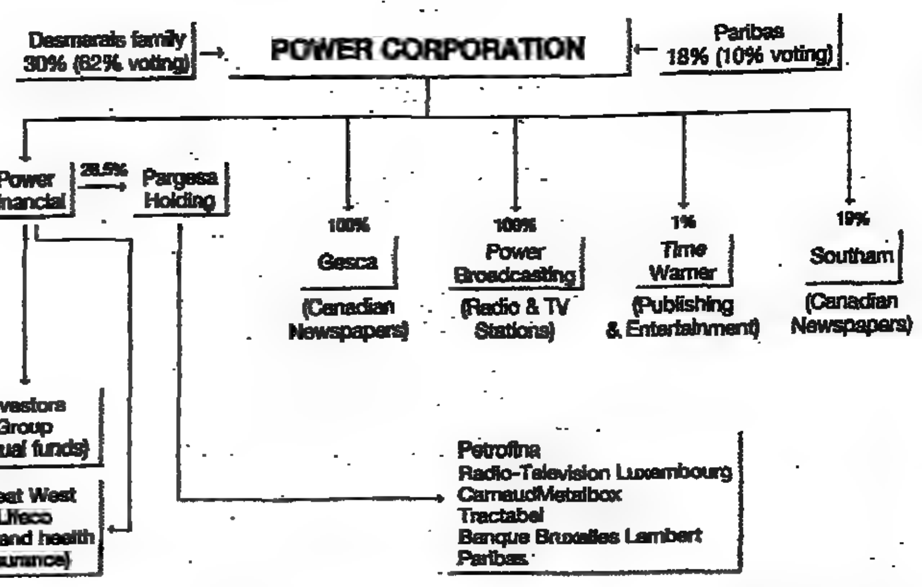
- Power has invested $99m in a 1 per cent stake in Time Warner, the US media and entertainment group. The holding was revealed last week by Seagram, the drinks company which has bought a 5.7 per cent interest in Time Warner. Seagram and Power have several directors in common, but have insisted their purchases took place independently.
- Two months earlier, Power spent C$180m on a 19 per cent interest in Southam, Canada's biggest newspaper publisher. It has joint control with Hollinger, the holding company controlled by Mr Conrad Black, proprietor of the UK Telegraph group.
- Power Broadcasting, a wholly-owned subsidiary, has formed a partnership with the Canadian Broadcasting Corporation to provide two channels to DirecTV, the planned US direct-broadcast satellite service nicknamed "Death Star".

All three transactions bear the stamp of Mr Desmarais' son André, who is in charge of Power's communications business. He is widely recognised as the more forceful of the two Desmarais sons who help run Power. André is said to have favoured buying a much bigger stake in Time Warner last year, but to have been restrained by his father.

Beyond his involvement, the common thread between the three deals is not yet clear.

Power, which already owns La Presse, Canada's second-biggest French-language daily, has long viewed loss-making Southam as one of North America's worst-managed newspaper publishers.

"I think they'll start by collaborating closely with Hollinger and the Southam board to turn Southam around," says Mr Stephen Jarislowsky, a Hollinger director who is also president of Jarislowsky Fraser, Canada's biggest pension fund portfolio manager. In the longer run, analysts are speculating that Power, Southam and Hollinger may pool their North American media interests.



The new investments have given Power a more even balance between its stakes in communications and financial services, and between its European and North American interests.

The Desmarais' attention over the past decade has been focused on Pargesa, the Geneva-based investment holding company, which Power controls jointly with Mr Albert Frère, the Belgian financier.

Pargesa is emerging from an unsettled period, during which it has shed a stake in Henry Ansbacher, the London merchant bank; has been assured of control of Petrofina, the Belgian energy group; and (most recently) has acquired a minority stake in CarnaudMetalbox, Europe's biggest metal packaging company. Pargesa has also given Power a window on the European communications business through ownership of Radio-Television Luxembourg. RTL owns 10 radio stations and six TV channels, beaming into France, Germany and the Benelux countries.

Mr Paul Desmarais, 66, began his business career by reviving small-town bus operators in Ontario and Quebec. He bought control of Power Corporation in 1968. He has built a reputation as a canny investor, usually buying and selling at the right time. Mr Desmarais has disposed of every one of the shipping, forestry and financial-service companies which Power controlled when he took over 25 years ago.

Stakes in Consolidated-Bathurst (now Stone-Consolidated), the Quebec-based forestry group, and in Montreal Trust, a mid-sized financial-services company, were unloaded just before the onset of the last recession.

Mr Desmarais has impeccable business and political connections in and outside Canada. Former prime minister Mr Pierre Trudeau and the present incumbent, Mr Brian Mulroney, have several times used the helicopter pad at the Desmarais summer home at La Malbaie, Quebec.

Nonetheless, Mr Desmarais' advances have been rebuffed on several occasions. During the 1970s, he failed to transform a 10 per cent stake in Argus Corp, one of English Canada's most blue-blooded companies, into anything more significant. Political pressure forced him to back away in the early 1980s from an attempt to gain control of Canadian Pacific, another pillar of the business establishment.

Mr André Desmarais told the annual meeting that Power is restricting its investments to friendly, high-quality targets "where we can participate as shareholders, and where we can work in a constructive way with management". If it remains true to those criteria, Power must at least be considering a bigger stake in Time Warner than that which it now holds.

CS First Boston completes reorganisation

By Patrick Harverson in New York

CS First Boston, the New York-based global investment bank, confirmed it had completed a year-long process of integrating the management of its main business lines into product, rather than geographic, groupings.

The moves are regarded by industry analysts as an attempt by the bank to improve co-ordination between the operations.

Under the new system, Mr Archibald Cox, chief executive of the bank's US operations, will be responsible for CSFB's equities business; Mr Allen Wheat and Mr Robert Diamond, two senior executives, will take charge of the fixed income business; and Mr Cox and Mr David Mulford, chief executive of the bank's European unit, will be responsible for investment banking.

The task of managing CSFB's administrative, information systems and finance operations has been handed to Mr Ruedi Stalder, chief financial officer.

The management of CSFB was organised around three separate regional units of the bank – the US-based First Boston, the London-based Credit Suisse First Boston, and the Tokyo-based CS First Boston Pacific.

The integration of the main businesses under product lines follows the welding of the bank's foreign exchange and derivatives operations into globally-oriented units.

Poor relations among the different units of CSFB are believed to have contributed to the bank's relatively poor recent performance. In 1992, at a time when most Wall Street investment banks and securities houses were posting record profits, CSFB reported a 19 per cent decline in net income to $175m.

A spokesman for CSFB, which has been hit recently by a series of staff defections amid grumblings over year-end bonuses, denied that the changes represented a significant restructuring of the bank.

He said: "It's not a reorganisation of the firm. It's a global integration of our major business lines."

Although the global integration of CSFB's businesses has not involved a name-change for the organisation, sources at the bank revealed that management had been discussing combining all the different units under one name.

Senior FedEx executive resigns

By Nikki Tait in New York

MR Tom Oliver, head of worldwide customer operations at Federal Express and the effective "number two" executive at the nation's largest overnight delivery company, has resigned.

Mr Oliver said he was taking up the post of chief executive and president of VoiceCom Systems, a San Francisco-based voice processing services provider.

Also leaving Memphis-based Federal Express is Ms Carole Presley, senior vice-president for marketing and corporate communications. She will remain a consultant to FedEx but will start her own consulting business in Florida.

Federal Express has suffered problems in its international division and was forced to retrench from an ambitious European expansion plan last year. Since then, losses on the international front have been diminishing, although competition has put pressure on domestic earnings.

Mr Oliver, 52, who had headed the international business, became executive vice-president of worldwide customer operations in 1991. He oversaw much of the European restructuring.

FedEx said Mr Oliver would be replaced by Mr William Razzouk, currently senior vice-president of sales and customer service.

Canada's Magna records 46% rise

MAGNA International, the biggest independent Canadian car parts producer, recorded a 46 per cent jump in third-quarter profit, writes Robert Gibbens in Montreal. The group added that it would be debt-free by July 31.

Net profit was C$44.4m (US$34.9m), or C$1 a share, against C$30.5m, or 89 cents, a year earlier. Revenues advanced 13 per cent to C$742m.

INTERNATIONAL COMPANIES AND FINANCE

Nissan invests in Chinese truck plant

By Tony Walker in Beijing

NISSAN, the Japanese vehicle maker, is to set up a mini-truck plant in Zhengzhou, capital of central China's Henan province – the company's first direct investment in the fast-growing China auto market.

Nissan has signed a contract with Zhengzhou Light Truck Factory to produce 30,000 one-ton pick-up trucks by 1997. The project includes an auto chair workshop and a brake system manufacturing plant.

"What had prevented us from coming earlier," said Mr Shigeno, Nissan's Beijing manager, "was the limited market size in China and its different economic system. Compared to the Europeans and the Americans, we were inexperienced in dealing with communist countries such as China."

The first trucks are planned to roll off the assembly line in early 1994.

Nissan's investment in China contrasts with European, American and some minor Japanese auto makers. Volkswagen of Germany, Peugeot and Citroën of France, Chrysler and General Motors of the US have all set up car, mini-bus or truck assembly plants in China. Japan's Daihatsu and Suzuki have licenced mini-cars to plants in Tianjin and Chongqing.

"This year, things are different: American and European markets are saturated, Japan's domestic market slumped. But China's demand keeps growing. This is what drew us here," said Mr Shigeno.

Nissan's biggest concern is over China's market size. "You need a market that could consume 3m units to make a profit, or it's not worth it," said Mr Shigeno.

Last year, China produced 1.08m motor vehicles including 250,000 cars, 100,000 more than the previous year. China imports 100,000 cars a year.

China's gross national product growth rate exceeded 12 per cent last year and in the first quarter this year it topped 14 per cent.

China is Asia's second largest auto market after Japan.

Regulators struggle to control a wild market

William Barnes reports on Thailand's attempts to enforce rules on its stock exchange

Moves by the Stock Exchange of Thailand to introduce more rigorous rules for disclosure of information by listed companies are being criticised by stockbrokers as clumsy and unrealistic.

The exchange sent an awkwardly-worded 17-page document to listed companies requiring that all significant information be "disclosed to general investors, and not to a specific group of people".

It did not consult them in advance, and it did not send copies of the new rules to stockbroking firms.

Although the thrust of rules appeared uncontroversial, requiring timely release of important information and barring companies from passing privileged information, some brokers said they were a triumph of form over substance in a market were many company controllers still believed they could do what they wished.

Brokers are upset by private hints from listed companies that they may be forced to be less forthcoming under the new regime, and that therefore it was likely to do little to lessen insider trading. The irritation of international brokers was all the greater because of the absence of official English language copies of the rules.

Mr Peter Schiefelbein, chief representative for Standard Chartered Securities Asia, said: "The regulators have tried very hard but they lack the experience of western authorities who pursue the principle but realise the practical. It is bad to make rules that cannot or will not be enforced.

"The speed they are going and the extent to which they are adopting unrealistic approaches is a little bit worrying. It is not easy to turn back – how do you relax disclosure rules? – yet it would be a tragedy if they end up with the stifling Singaporean situation."

'The regulators have tried very hard but they lack the experience of western authorities who pursue the principle but realise the practical. It is bad to make rules that cannot or will not be enforced'

Mr George Morgan, country manager for HG Asia Investment Research, said: "It's bizarre. It will make it harder for people who are not insiders to get information about a company. Foreign investors who already have doubts about quality of information will not be impressed."

Mr Russell Kopp, a senior analyst at Baring Research, said: "The regulators have to move a little slower. Grand concepts are fine but the reality is this market has been pretty wild for a very long time – many still think 'until I'm caught its not illegal'". He said rules about timely release of important corporate information without either definition or legal precedent were "just a joke".

Stock exchange officials said they were mystified by suggestions that analysts would have reduced access to information.

Mr Chaipat Sahasakul, senior vice-president said the exchange "has a policy of full disclosure. Our intention is that companies give out more, not less. We just want to make sure they use price sensitive information in a proper manner". The controversy followed another attempt by the Thai authorities to crack down on stock-market irregularities, when the Securities and Exchange Commission asked in April for the prosecution of 30 investors suspected of rigging share prices.

Hardly had the investors had a chance to contemplate the biggest legal action in the market's history when the names of 123 more suspects were leaked to the local press.

Police investigations into 30 cases continued, and prosecutions against some are expected. No legal proceedings are expected against the 123 people whose names were leaked.

Investors whose nerves had been frayed by earlier round-ups of suspected market manipulators suddenly had to contend with rumours about how far the regulators might go. The index plunged 6.2 per cent in five days – it has since fallen a further 1.6 per cent.

The leak cast a shadow over what should have been a success for the commission. The naming of the 30 people was the culmination of seven months of action against four groups suspected of being big-time share manipulators.

Mr Ekkamol Kiriwat, the commission's secretary-general said tough action had been inevitable. "We were in a dilemma: everybody knew the market was being manipulated – it was discussed openly in the newspapers. You cannot have a perfect level playing field but it must be respectable or how can we ask anyone to invest?"

Mr Schiefelbein said the authorities may have been too ambitious. "In an emerging market the most important thing is for a company to be able to raise money through equities without resorting to debt. I think the Thai market could have handled being a cowboy one for a few more years," he said.

However, Mr Francis Middlehurst, head of research for Crosby Research (Thailand), was more generous. "Considering the market was regularly ramped and manipulated by some extraordinarily powerful and well-connected people I think [the SEC] got a good result. If the exchange has also found it difficult to write insider trading rules then I'm not surprised – it's very difficult. It is part of the maturing process."

The Thai market has grown in the past five years. The number of listed companies has risen to 323 this month from 141 at the end of 1988, with market capitalisation climbing to nearly \$60bn from \$9bn in 1988. But the prevalence of unusual price movements was underlined recently when a number of shares showed unusual life shortly before first-quarter results.

However, analysts believe that once teething troubles have been overcome, Thailand's cleaner stock market will become a more attractive destination for investment.

NZ plans tougher disclosure rules

By Terry Hall in Wellington

THE Reserve Bank of New Zealand plans to introduce tough disclosure requirements on registered banks.

Mr Don Brash, Reserve Bank governor, announcing proposed changes, said they were designed to strengthen disclosure requirements and shift the emphasis towards more market scrutiny of the banking sector through greater public disclosure.

They were intended to move the central bank away from more direct supervision of the trading – or clearing – banks towards a monitoring role and enforcing the disclosure requirements.

The Reserve Bank is proposing that the banks should disclose their financial positions every three months and they should provide full audited disclosures every six months.

This would be to ensure that both the bank and the public were aware of any changes in their security ratios.

Each bank would be required to display its credit rating in its retail branches.

The minimum capital adequacy requirements under the Basle Agreement would be retained and possibly raised, though risk weightings of certain asset classes could be relaxed or abolished, Mr Brash said. The central bank wanted to avoid any suggestion that either it, or the government, was underwriting individual banks or their liabilities through the new regime.

Mr Brash said he expected that the revised requirements would become law by the middle of next year after further consultations with the banks. The Reserve Bank had a responsibility to promote public confidence in the banking system by ensuring adequate financial disclosure, outlining audit requirements and enhancing the role of credit ratings.

He added that the supervisory role of the central bank was limited because all but two of New Zealand's 21 banks were foreign-owned.

"Given high foreign ownership in New Zealand, no system of banking supervision in New Zealand will make a huge difference to the risk of bank failure," Mr Brash said.

Singapore group buys Wellington tower block

By Terry Hall

HOTEL Grand Central, the Singapore-based group, yesterday announced the purchase of one of Wellington's largest building complexes as it continues to buy "bargain priced buildings" in both Australia and New Zealand.

The company has spent NZ\$27.20m (US\$15.1m) in buying three New Zealand buildings in recent weeks, all well below official valuation estimates. After announcing the purchase of Wellington's landmark Plimmer City Centre for NZ\$15.75m, the company immediately announced plans to spend NZ\$8m upgrading the 31-storey tower block which was the tallest in the country until 1985.

In 1985, the complex was valued at NZ\$95m, and the receivers, acting on behalf of the Bank of New Zealand, turned down an offer of NZ\$48m for it in 1990. It includes a 22-storey tower, a hotel and a car park building. Only two floors of the office tower are occupied.

Hotel Grand Central owns hotels in Singapore and Malaysia and other office blocks in north Sydney.

Last week, Hotel Grand Central announced the purchase of the 10-storey DB Towers Building in Auckland for NZ\$7.1m.

U.S. \$120,000,000
IBM
US\$30,000,000 Floating Rate Notes due November 1995
(Fully and Unconditionally Guaranteed by IBM Brasil Industria, Maquinas e Servicos Ltda)
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Notice is hereby given that the Rate of Interest for the period June 3, 1993 to December 3, 1993 has been fixed at 7.5% and that the interest payable on the relevant Interest Payment Date, December 3, 1993 against Coupon No. 1 in respect of US\$10,000 nominal of the Notes will be US\$381.25 and in respect of US\$100,000 nominal of the notes will be US\$3,812.50 and in respect of US\$250,000 nominal of the Notes will be US\$9,531.25.

June 4, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.49	24.01	26.69
0100	20.49	18.64	18.64
0130	18.07	24.26	27.16
0200	18.07	24.26	27.12
0230	18.07	24.26	27.09
0300	18.07	18.67	18.67
0330	18.07	19.00	19.00
0400	18.07	18.67	18.67
0430	18.07	18.54	18.54
0500	18.07	18.59	18.59
0530	18.06	18.51	18.51
0600	18.40	18.51	18.51
0630	18.40	18.54	18.54
0700	20.49	24.11	26.94
0730	26.10	26.26	28.98
0800	26.10	26.16	28.86
0830	33.00	26.67	29.58
0900	33.00	26.91	29.63
0930	33.00	26.39	29.65
1000	33.00	26.93	29.66
1030	29.72	26.92	29.65
1100	28.72	26.91	29.64
1130	28.72	26.94	29.66
1200	33.00	32.80	35.77
1230	33.00	32.77	35.73
1300	33.00	26.30	28.97
1330	25.92	25.26	28.89
1400	25.92	35.00	37.89
1430	25.92	35.00	37.89
1500	25.92	35.00	37.93
1530	25.92	25.12	27.73
1600	25.92	25.12	27.72
1630	25.92	25.12	27.72
1700	25.92	35.00	37.91
1730	25.92	35.00	37.88
1800	26.92	35.00	37.88
1830	24.65	35.00	37.93
1900	24.19	25.12	27.69
1930	23.69	24.70	27.29
2000	23.58	24.70	27.29
2030	23.58	24.70	27.29
2100	23.58	24.70	27.28
2130	32.99	38.43	[illegible]
2200	34.00	38.43	41.47
2230	34.00	38.43	41.58
2300	33.00	24.11	26.70
2330	33.00	24.11	26.75
2400	22.17	23.48	26.12

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per [illegible] ... determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-488789 between 8.30am and 5.15pm Monday to Friday.
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NEW ISSUE 3rd June, 1993

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(Incorporated with limited liability in Japan)

U.S.\$220,000,000
1 1/8 per cent. Bonds 1997
with
Warrants
to subscribe for shares of common stock of Chugai Pharmaceutical Co., Ltd.

ISSUE PRICE 100 PER CENT.

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Sumitomo Finance International plc	
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Meiko Europe Limited	Mitsui Trust International Limited
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EUROFIMA
European Company for the Finance of Railroad Rolling Stock
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Deutsche Mark LIBOR Based Floating Rate Notes due 2002

For the Interest Period 3rd June, 1993 to 3rd September, 1993 the Notes will carry an Interest Rate of 5⅜% per annum with Coupon Amounts of U.S. \$13.74, U.S. \$137.36 and U.S. \$13,736.11 per U.S. \$1,000, U.S. \$10,000 and U.S. \$1,000,000 Notes respectively. The relevant Interest Payment Date will be 3rd September, 1993.

Swiss Bank Corporation

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U.S.\$2,000,000,000
Euro-Medium Term Notes
SERIES NO.12
FFC725,000,000 Inverse floating rate notes 1996
TRANCHE NO.1
Notice is hereby given that for the interest period 1 June 1993 to 1 September 1993 the notes will bear interest at 15.1875% per annum.
Interest payable on 1 September 1993 will amount to FF19,406.25 per FF500,000 denomination.
Agent: Morgan Guaranty Trust Company
JPMorgan

INTERNATIONAL CAPITAL MARKETS

Rates cuts setback prompts switching from Bunds

By Peter John in London and Patrick Harverson in New York

GERMANY was once again the focus of attention in the European government bond markets as the Bundesbank Council dashed hopes of an interest rate cut at its regular meeting yesterday.

The news was compounded by disappointing economic data and technical factors in

GOVERNMENT BONDS

bund futures.

The bund futures contract had risen previously on hopes that the German central bank would cut its key interest rates, even though many economists had pointed out that there was little justification for an easing.

The release of a worse-than-expected gross national product figure – GNP fell 3.7 per cent year-on-year – undermined the D-Mark, reducing the chance of an interest rate cut, dealers said.

When it was announced that the Lombard and discount rates were unchanged, Bund futures rose. One economist said: "There are buyers lurking at the lower levels."

Although domestic buyers moved in when bond yields hit 6.9 per cent, the buying was offset by heavy selling from non-domestic investors responding to the weaker currency.

Much of the activity in the futures market was prompted by investors rolling over their contracts from June, which expires next week, to September, which is expected to become the front month shortly.

The September contract saw turnover of more than 54,000 contracts, its heaviest volume so far. It rose three basis points to 94.47, while the June contract fell 0.11 to 94.02.

Dealers said there was heavy switching out of German bonds into most other European bonds.

■ SPAIN was an active market yesterday on the back of a well-received bond auction. The central bank issued Pta627bn of three-year, five-year and 10-year stock at slightly lower yields, and the auction was covered 2.06 times with investors particularly keen on the longer-dated issues.

Ten-year bond futures moved ahead 35 basis points to 88.53, and the 10-year cash bond gained half a percentage point.

■ FRENCH government bonds opened stronger, helped by buying at the short end and reassured by the franc's firm tone against the D-Mark. However, there was some pressure from the FFr20.5bn auction of OATS. The June futures contract on the Matif rose 6 basis points to 116.82.

■ UK gilts held steady, still supported at the short end by expectations of an eventual trimming of interest ates.

Analysts said there were more people looking for an early base rate cut than last week, but they felt the Bank of England had signalled in its open market operations yesterday that it wanted no change in policy.

■ US Treasury prices firmed slightly at the long end yesterday morning, as dealers and investors awaited today's May employment report.

By midday, the benchmark 30-year government bond was up $\frac{1}{32}$ at $103\frac{1}{32}$, yielding 6.866 per cent. At the short end of the market, the two-year note was unchanged at $99\frac{31}{32}$, to yield 4.141 per cent. Trading activity was reported by dealers to be light.

Prices received an early lift from news that claims for state unemployment insurance rose 5,000 to 344,000 last week. The data provided the latest evidence that labour conditions remain in a relatively weak state, and raised hopes among bond investors that the May employment report, out this morning, will show a similarly sluggish trend in the jobs market. Some investors were also looking further ahead, to next week's inflation data.

■ JAPANESE government bonds were firmer in London on continued speculation that the official discount rate was about to be cut.

The price rise drove the yield on the benchmark No145 JGB down 4 basis points to 4.585 per cent. Dealers, however, said the Bank of Japan was unlikely to act until the release of its key Tankan quarterly report on June 11.

FT FIXED INTEREST INDICES

	June 3	June 2	June 1	May 28	May 27	Year ago	High *	Low *
GovtSecs (UK)	95.11	95.04	94.84	94.58	95.06	88.90	98.04	93.28
Fixed Interest	111.55	111.32	111.13	111.49	111.54	105.01	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	June 2	June 1	May 28	May 27	May 26
Gilt Edged Bargains	93.1	97.0	97.9	101.2	106.3
5-Day average	99.1	99.6	97.6	95.1	93.2

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	112.5676	-0.305	7.68	7.51	7.71
BELGIUM		9.000	03/03	111.3000	+0.150	7.38	7.35	7.49
CANADA *		7.250	06/03	98.1500	-0.200	7.52	7.45	7.48
DENMARK		8.000	05/03	103.5000	+0.150	7.49	7.51	7.61
FRANCE	BTAN	8.000	05/98	105.2540	+0.293	6.68	6.66	6.70
	OAT	8.500	04/03	108.5200	[illegible]	7.30	7.17	7.18
GERMANY		6.75	04/03	99.1250	-0.050	6.87	6.81	6.77
ITALY		11.500	03/03	97.5200	+0.105	12.29†	12.31	12.83
JAPAN	No 119	4.800	06/99	101.5472	+0.072	4.47	4.49	4.34
	No 145	5.500	03/02	105.7691	+0.329	4.56	4.57	4.36
NETHERLANDS		7.000	02/03	101.9800	+0.090	6.70	6.66	6.71
SPAIN		10.300	06/02	96.2342	+0.218	10.97	10.90	11.56
UK GILTS		7.250	03/98	100-25	+4/32	7.05	7.08	7.09
		8.000	06/03	99-29	+6/32	8.01	8.03	8.06
		9.000	10/08	105-05	+5/32	8.39	8.42	8.41
US TREASURY *		6.250	02/03	101-17	+3/32	6.04	6.04	5.94
		7.125	02/23	103-02	-	6.88	6.93	6.86
ECU (French Govt)		8.000	04/03	103.1750	-0.005	7.53	7.46	7.59

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Moody's reviews $8.7bn of BT long-term debt

By Tracy Corrigan in London and Emiko Terazono in Tokyo

MOODY'S, the US-based credit rating agency, has placed the long-term debt of British Telecom, currently rated AAA, under review for possible downgrade. The move is in response to the announcement of its strategic alliance with MCI Communications.

Around $8.7bn of long-term debt is affected.

Moody's cited the increased business risk involved in taking a 20 per cent stake in MCI, which sets the stage for a struggle for domination of the world telecommunications market with AT&T.

However, Standard & Poor's, the US-based rating agency, has confirmed the AAA rating of BT and its guaranteed units, British Telecom Finance BV and British Telecom Finance Inc. The rating affirmation reflects S&P's expectation that the proceeds from BT's $1.8bn sale of its 20 per cent stake in McCaw Cellular Communications, expected to be realised in September, and excess cashflow "will be used quickly to repay additional debt taken on for this investment".

The rating agency said: "Over the longer term, the investment [in MCI] could further strengthen BT's position in the global telecommunications market, offsetting competitive pressures .... in its domestic market."

● Moody's has lowered its ratings of two Japanese regional banks due to the deterioration in asset quality and the poor outlook for profitability.

Such concerns have prompted frequent downgradings of Japanese banks since the boom years in the country's property market and economy waned at the start of this decade.

Until recently, the country's regional banks have been thought to have had relatively low exposure to bad loans compared with the larger commercial banks.

The long-term debt of Bank of Yokohama, which owns Guinness Mahon Holdings, the UK merchant bank, was lowered to A3 from A1. Moody's said Yokohama's lending to domestic and overseas property markets remained significant in relation to its capital. Restructuring costs of Guiness Mahon are also expected to affect Yokohama's asset quality.

The long-term debt rating of Ashikaga Bank was lowered to A3 from A1 as Moody's expects unrealised losses in Ashikaga's underperforming assets and restructuring costs of its non-bank affiliates to drain the bank's financial resources.

● Two of Japan's shinkin banks – or credit associations – announced a merger yesterday, reflecting an increasingly severe environment for the country's small regional financial institutions.

Maebashi Shinkin Bank and Kyujo Shinkin Bank, both based in Gunma district, north of Tokyo, said they would complete the one-for-one merger next February.

More shinkin banks are expected to follow suit, as the institutions, similar to credit unions and traditionally reliant on small companies for business, are under increasing pressure as financial authorities deregulate the country's financial markets.

● Moody's is reviewing the Baa1 senior unsecured rating of Bridgestone, the Japanese tyre maker, and the Baa2 senior unsecured rating of its subsidiary, Bridgestone Finance Europe, for a possible upgrade, Reuter reports from Tokyo.

Moody's said the action reflected the completion of Bridgestone's restructuring plans in the US and Europe.

The rating review would focus on the resulting impact on the tyre maker's competitiveness in these two markets and its financial performance, the agency said.

It said the review would consider Bridgestone's ability to improve its overall margins and to generate sufficient cashflow to reduce debt under the weak global auto sales outlook.

Italy's plans for $1.5bn issue inspire FRN sector

By Sara Webb

THE Republic of Italy provided the main talking point of the Eurobond market yesterday as news emerged of its plans to launch a $1.5bn floating-rate note, possibly next week.

Italy issued $500m of five-year bonds and $300m of 10-

INTERNATIONAL BONDS

year bonds last month, representing its first sortie in the Eurodollar bond sector since its credit rating was downgraded. Standard & Poor's, the US credit rating agency, downgraded the rating on Italy's sovereign long-term foreign debt from AA plus to AA in March.

The floating-rate note is expected to have a five-year maturity, and the deal will be managed by Morgan Stanley, with Kidder Peabody, Merrill Lynch and J. P. Morgan as joint leads.

Dealers noted plenty of activity in the floating-rate note area yesterday. The People's Construction Bank of China launched a total of $120m of FRNs, consisting of $50m of five-year notes with a coupon of six-month Libor plus 50 basis points, and $70m of seven-year notes carrying a coupon of Libor plus 60 basis points. The notes are expected to be sold mainly to investors in the Asia-Pacific region, where the deal was heavily marketed, although some syndicate desks claimed the deal was hard to place.

Nafinsa, the Mexican government-owned development bank, issued a $100m collared floating-rate note. Samuel Montagu, lead manager, said the deal was the first collared FRN to be issued by an LDC borrower, and the floor and the cap were set relatively high.

The Eurobond market has seen a steady stream of collared FRNs since last summer, floors set mainly in the range of 4 per cent to 4.5 per cent, and caps in the range of 7.5 per cent to 8 per cent. Nafinsa's bond has a coupon of six-month Libor plus 25 basis points, and has set a minimum coupon of 6⅝ per cent and a maximum of 10 per cent.

The lead manager said the deal was being aimed at two main investor groups – the traditional LDC investors and collared note investors. Dealers said investors were attracted by the higher floor and cap, and noted strong demand from Swiss investors.

The World Bank launched an additional £150m tranche of its £200m bond issue due December 1998. It was rumoured that the deal was swapped into floating-rate D-Mark to provide the World Bank with funding at 35 basis points below Libor.

"This is the best borrower in the world, so it is not surprising they can get very aggressive funding," said one syndicate head. The existing tranche was trading at 10 basis points over the 7¼ per cent gilt due 1998, and the new tranche was launched at 14 basis points above the gilt. The yield spread tightened to 12 basis points later in the day.

The Republic of Portugal's DM1.5bn, 10-year issue was priced yesterday to yield 28 basis points over the relevant bund, and traded up from its reoffer price of 99.80 to 99.90/99.95 by late afternoon.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Nafinsa‡	100	(a)	100R	Jul.1998	0.75R	-	Samuel Montagu
Construction Bank of China‡	70	(b)	100R	Jul.2000	0.325R	-	JP. Morgan Securities
Construction Bank of China‡	50	(c)	100R	Jul.1998	0.265R	-	JP. Morgan Securities
YEN							
Sapporo Breweries§(d)	40bn	1.375#	100	Jun.2000	2.50	-	Yamaichi Intl. (Europe)
STERLING							
The World Bank(e)	150	7.25	99.582R	Dec.1998	0.25R	+14 (7¼%-98)	Barclays de Zoete Wedd
SWISS FRANCS							
Toyota Motor Credit★	100	4.75	102	Jul.1998	-	-	Banque Paribas (Suisse)
GUILDERS							
Schiphol Airport	400	6.75	99.60R	Jul.2000	0.20R	+15 (9%-00)	ING Bank
AUSTRALIAN DOLLARS							
Societe Generale Australia	100	7.0	100.05	Jul.1998	2.0	+12(g)	Hambros Bank
LIRE							
IMI Bank Intl.(f)	200bn	11.125	101.6	Jul.1998	1.875	-	IMI Bank (Lux)

Final terms and non-callable unless stated. The yield spread (over relevant government bond)at launch is supplied by the lead manager. ★Private placement. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6 month Libor + 0.25%. Maximum coupon 10%; minimum 6.625%. b) Coupon pays 6 month Libor + 0.60%. Tranche B of $120m issue. c) Coupon pays 6 month Libor + 0.50%. Tranche A of £120m issue. d) Final Terms fixed on 8/6/1993. Callable 1/7/1994 at 103% falling by 0.5% annually to 100.5 in 1999. Subject to 130% rule. Put option at par on 30/6/1998. e) Fungible with existing £200m issue. f) Amount increased from Lire 150bn. g) Spread is over the interpolated yield curve.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on June 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9½ 94	200	105⅛	105⅝		4.28
AlbertaProvince 9⅜ 95	600	110¼	110½	+⅛	4.78
Austria 8½ 00	400	113⅛	113½	+⅛	6.03
Bank of Tokyo 8⅜ 96	100	107⅝	108⅛	+⅛	5.29
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Allied 7½ 95 LFr	600	99⅞	99⅞		8.15
ECSC 7¾ 94 LFr	1000	100	101		7.73
World Bank 8 96 LFr	1000	101⅞	102⅛		7.44
[illegible]	1000	106	106⅛		6.98
[illegible]					

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	3	19
Other Fixed Interest	1	5	11
Commercial, Industrial	260	267	854
Financial & Property	165	82	552
Oil & Gas	19	17	48
Plantations	2	1	5
Mines	55	23	61
Others	56	37	32
Totals	616	453	1,582

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
45	F.P.	-	58	48	Break for the Border	58	+1	[illegible]	-	-	7.0
35	F.P.	-	35	29	Brunzlite Aggregates	33		-	-	-	-
100	F.P.	-	100	95	China Inv. Tst.	95	-1	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

[illegible] Figures based on prospectus estimates. N Figures based on EMR "Headline Earnings" draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ‡‡ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings June 1
● Last Dealings June 11
● Last Declarations Sept. 2
● For settlement Sept 13

3-month call rate indications are shown in Saturday editions.
Calls in: Avesco, Barcom, Cannon St. Inv., Maddox, NSM, Pentos, Simon Eng. and Vardon. Puts in: Barcom, NSM and Vardon Puts & Calls: Cannon St Inv., Darse Ests., Lep Group, Trafalgar House and WPP.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Jun 3	Day's change %	Wed Jun 2	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (26)	128.22	+0.04	128.17	2.49	[illegible]
2	5-15 years (22)	146.98	+0.18	146.75	2.72	[illegible]
3	Over 15 years (10)	157.69	+0.13	157.49	2.94	[illegible]
4	Irredeemables (6)	175.89	+0.11	175.70	1.70	[illegible]
5	All stocks (64)	143.64	+0.11	143.49	2.59	[illegible]
	Index-Linked					
6	Up to 5 years (2)	164.66	+0.04	164.55	0.63	[illegible]
7	Over 5 years (11)	174.17	+0.06	174.06	[illegible]	[illegible]
8	All stocks (13)	174.48	+0.06	174.37	[illegible]	[illegible]
9	Debs & Loans (68)	128.18	+0.22	127.89	2.22	[illegible]

AVERAGE GROSS REDEMPTION YIELDS

[illegible]

COMPANY NEWS: UK

Norcros drops 26% and calls for £49.7m

By Roland Rudd

NORCROS, the building products manufacturer, yesterday announced a 2-for-7 rights issue raising £49.7m net to take advantage of the property upturn, as it unveiled a 26 per cent fall in pre-tax profits for the year ended March 31.

The shares are being offered at 132p - a substantial discount to the existing share price which slipped 3p to 165p on a day the market also fell.

Pre-tax profits declined from £15.6m to £11.5m after an exceptional charge of £4.5m (£100,000) to cover the cost of restructuring. The workforce was reduced by a further 700 to about 7,000.

The group plans to use the rights proceeds to reduce borrowings and to make bolt-on acquisitions to its core business of building products. Debt fell by £7.9m to £120.2m resulting in a lower interest charge of £6.3m (£8.6m).

Mr Michael Doherty, chairman, said the group was well placed to take advantage of any upturn in the UK.

While it remained committed to disposing of its property portfolio, recently valued at £45m, Mr Doherty said the rights proceeds would enable it to sell at a more leisurely pace.

Property disposals during the year amounted to £16.9m. A provision for the fall in value of the disposed property was mainly responsible for an extraordinary charge of £7.9m.

Operating profits fell from £24.3m to £22.3m on reduced sales of £389.7m (£394m).

Those from building products increased from £3.56m to £7.76m; ceramics saw a reduction from £11.3m to £7.4m and printing and packaging reported £10.6m (£12m).

The final dividend is held at 3.5p making an unchanged total of 7p. Earnings per share fell from 7.5p to 5p.

● COMMENT

Given the history of false dawns in the building sector it would be surprising if investors did not treat the latest optimistic soundings from Norcros with more than a dollop of scepticism. The UK recovery already appears to be faltering and borrowings, notwithstanding the rights issue, will remain quite high. However, the results of the restructuring, resulting in the loss of a further 700 jobs, puts the company on a better footing should the UK experience a sustained upturn. Analysts estimate that every pound in sales should yield 33p in operating profits. Faced with a choice of either selling property or tapping shareholders for cash the latter was preferable. With forecast pre-tax profits of £19.5m the shares are on a prospective multiple of 17.6, and shareholders should probably give the company the benefit of the doubt one more time.

T&N raises £37m for purchase

By Richard Gourlay

T&N, the motor component manufacturer, yesterday successfully placed 21.9m shares at 170p to raise £37m to help finance the acquisition of Goetze AG, the German piston ring producer.

The deal, announced in principle last year, will cost DM250m (£102m). The first DM90m instalment was made yesterday, the second DM90m is due next March with a final DM70m due in March 1995.

T&N's share price rose 7p to 184p yesterday amid enthusiasm for the deal among institutional investors.

Mr Colin Hope, chairman and chief executive, said he was not too concerned that the German economy appeared to be heading more rapidly into recession than was anticipated last December.

"We envisaged significant cost reductions and restructuring so our forward projections were based on a lower volume than business was operating on historically," he said. The group was assuming that the German economy would be improving by 1995. It thought German car production would fall 15 per cent this year. It appears to be 20 per cent down.

Goetze, which is privately owned, is the largest producer in Europe of piston rings for supply to vehicle makers as original equipment. It also produces gaskets and has an important manufacturing presence in the US.

It has six plants in Germany and five in the US, as well as others in France and Turkey.

Mr Hope said the group had been hoping to do a vendor placing but tax problems and complexities arising from the family shareholdings made this difficult. The placing means T&N will be restricted from making further placings for a year.

T&N said yesterday that Goetze would have significant strategic benefits for the group and would strengthen its position as a supplier of components to original equipment manufacturers.

Launch of a guarded defence

Angus Foster on the £59m bid by Rentokil

THE FIRST hostile bid by Rentokil, the fast growing environmental and property services company, has so far been anything but.

The £59.2m cash offer for Securiguard, the guarding and cleaning company, was launched last month at a low-key press conference where Mr Clive Thompson, chief executive, said he hoped Securiguard's board would recommend the 270p a share offer.

The invitation was repeated in Rentokil's formal offer document, described by one analyst as "the least hostile in history".

Securiguard's board declined, politely, to do so. There has been no further contact between the two sides.

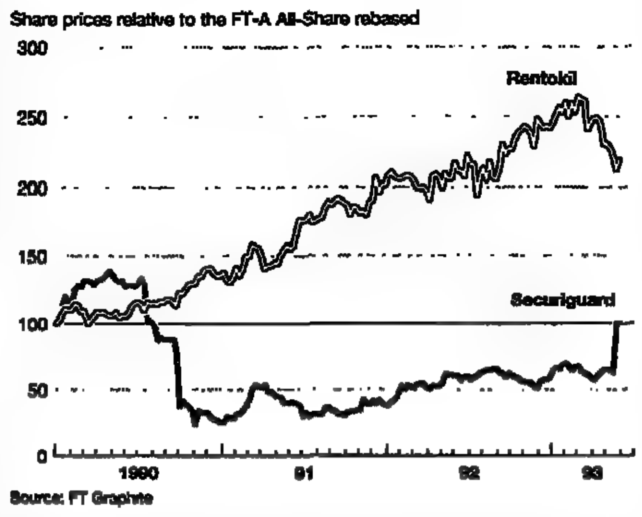
However, there are signs that the phoney war may soon be over. Securiguard yesterday published its defence document, which dismissed Rentokil's offer as derisory. "Rentokil is hoping to secure a bargain at your expense," the document said.

Mr Alan Baldwin, Securiguard's chairman, may feel he can afford to appear dismissive. His company's shares have traded comfortably above the offer price and closed yesterday at 298p. "If there's a fair price on the table, then obviously we would talk," he said in an interview last week.

Securiguard is an unsurprising takeover target. After growing rapidly in the late 1980s, chiefly through expensive acquisitions in the UK and US, the company's shares collapsed in 1990 when it released a profits warning amid mounting borrowings. Although borrowings have been reduced by nearly half to £9.6m, and pre-tax profits increased slightly last year from £5.03m to £5.74m, the shares badly lagged the recovery.

Rentokil was not the first to spot this buying opportunity.

Share prices relative to the FT-A All-Share rebased



Source: FT Graphite

Some of Securiguard's institutional shareholders bought into the company from 1991. The three largest shareholders, holding nearly 30 per cent of the shares, are sitting on potential profits of 50 per cent or more if they accept Rentokil's offer. Given Securiguard's share price, they are instead expected to wait for a higher offer. "If Rentokil offers 310-320p it may get it. But if the institutions get too greedy, Rentokil may walk away," one analyst said.

Rentokil made its bid mainly because it wants to develop a guarding service. As with previous, successful, forays into areas like tropical plants, the company believes it can earn higher margins than competitors by offering a premium service. It also hopes to offer clients bundles of services, like guarding or building management, to cement customer loyalty.

Securiguard's cleaning business would fit with Rentokil's office cleaning and medical services operations. Mr Thompson seemed less interested in Securiguard's courier businesses and its lossmaking personnel division.

The security services business includes guarding and man rather than systems management. All hardware and systems work is sub-contracted. Its largest contracts are at London Docklands, where about 120 guards are employed, and at New York's JFK International airport.

The guarding industry in the UK includes about 2,000 companies, according to some estimates, although many are very small. It is a low wage and low margin business which has a poor reputation for quality.

Mr Baldwin said low margins stemmed from price competition and questioned whether margins of more than 10 per cent were possible, compared with 5 to 6 per cent at present. "It would need us to persuade clients, who already believe they are getting a good service, to double their prices," he said.

Securiguard's cleaning operations are also low margin and largely rely on price sensitive local and central government contracts. Government contracts account for about 60 per cent of turnover, if the company's hospital contracts subsidiary Mediguard is included.

Rentokil has built up a loyal following in the City, which has been impressed by the management's ability to lift margins in businesses as diverse as pest control and building management. In the last 10 years, pre-tax profits have increased from £20.6m to £122.4m, helped by acquisitions and internal growth.

Supporters also see the bid's logic of buying security services customers to grow a new division, and adding volume in cleaning.

What worries some observers, however, is a suspicion that Rentokil is putting its determination to maintain earnings growth ahead of business sense. They suspect that Rentokil, faced with slowing organic growth in the UK especially, needed an undervalued takeover to enhance earnings.

If so, Mr Thompson faces a painstaking task deciding whether and by how far to raise his bid once the first closing date of June 11 is reached.

Meanwhile, Securiguard's defence document took great care not to criticise its predator. Mr Baldwin and his board must realise that if Rentokil walked away, Securiguard's shares would be in danger of reverting to their pre-bid level.

"One has to assume that a slightly higher bid would go through recommended," an analyst said.

N Ireland Electricity valued at £362m

By David Lascelles, Resources Editor

NORTHERN Ireland Electricity, the last of the regional electricity companies to be privatised, was offered for sale by the government yesterday with a price tag of £362m.

Mr Robert Atkins, minister for the economy and the environment in Northern Ireland, announced in Belfast that company's 165m shares would be offered at 220p each.

This represents a historic gross dividend yield of 5.8 per cent based on net dividends for the 1992-93 year of £16.5m, or 10.02p per share. All the company's shares are being offered for sale except for a small proportion for bonus entitlements and employees.

Payment for the shares will be in two instalments, the first 100p payable on application and the rest on June 28 1994. The offer, with a 100-share minimum, closes June 16.

Incentives are being offered for pre-registered applicants who hold on to their shares for a given period. The offer has attracted more than 800,000 registrations.

● COMMENT

The offer price lay at the mid-point of market expectations and was viewed in the City as providing an attractive investment opportunity. The historic yield of 5.8 per cent compares with an average in the regional electricity company sector of 5.1 per cent, pointing to a possible gain of between 10p and 15p when the shares begin trading on June 21. Analysts were calculating a prospective yield of well above 6 per cent. All this suggests that Rothschilds and the government are keen to conclude the massive electricity privatisation exercise with a triumphant send-off.

Princedale to acquire Hillsdown companies for maximum £9.2m

By Joan Marshall

PRINCEDALE Group, the USM-quoted marketing and design consultancy, plans to form a new industrial division through the acquisition of Colloids, Hallam Plastics and Hallmark Contract Hire from Hillsdown Holdings and other minority holders.

The initial cost is £7.65m, which may increase to a maximum £9.15m.

At the same time, Princedale announced pre-tax losses of £71,000 (£326,000 profits) for the six months to March 31. Turnover fell to £4.47m (£6.37m) and there were losses per share of 0.01p (0.06p earnings).

The acquisitions are being funded as to £3.49m by the issue to the vendors of new consolidated ordinary shares at 25p per share, £3.45m by the issue of 7 per cent fixed secured loan notes, and £700,000 in cash.

A placing and open offer of 16m new consolidated ordinary shares, underwritten by Guinness Mahon, will raise about £4m, of which £1.6m is for Princedale.

Princedale's existing ordinary shares will be consolidated on the basis of one consolidated ordinary share for every 20 existing ordinary shares.

Shareholders may apply under the open offer on the basis of five offer shares for every eight consolidated ordinary shares resulting from the capital reorganisation.

Princedale's current account period will run for 15 months.

Rowlinson 14% ahead to £0.7m

HIGHER RENTAL income and lower interest costs enabled Rowlinson Securities, the property company, to report pre-tax profits 14 per cent ahead for the year to March 31.

On turnover of £8.96m (£8.41m) pre-tax profits were £722,000 (£631,000). Rental income was £3.42m (£3.2m) and finance charges were £1.55m (£1.84m).

However there was a tax charge of £143,000 this time against a credit of £49,000, leaving earnings per share at 4.64p (5.44p).

The company paid a second interim in lieu of a final in April resulting in a total payment for the year of 1.5p (1.35p).

Land sales lift Bertam Holdings

BERTAM HOLDINGS, which is involved in oil and rubber plantations and property development in Malaysia, announced a jump in pre-tax profits from £1.88m to £7.17m for 1992.

The result included an exceptional gain of £5.63m (£873,000) from land sales, mainly of 810 hectares from Bertam Estate to Bertam Properties, the 40 per cent held joint venture.

Average palm oil prices had been higher than in 1991, while the rubber market had remained lacklustre. In early 1993 palm oil prices had strengthened but had recently fallen back to below 1992 levels.

Turnover was £1.61m (£1.24m). Earnings rose to 31.54p (7.47p) and an unchanged final dividend of 2.5p is proposed, which together with the special 2.5p interim makes 5p (2.5p) for the year.

Associates boost for Rowe Evans

THE CONTINUATION of firm palm oil prices and increasing crops from its Indonesian estates, helped profits at Rowe Evans Investments advance from £1.88m to £6.08m pre-tax in 1992.

The result was boosted by a £3.4m contribution from associates, because of their better trading results, a land disposal by Bertam Holdings and the sale of a Malaysian estate-owning subsidiary by Lendu Holdings.

Turnover improved to £5.6m (£3.93m) while trading profits advanced from £938,000 to £2.42m.

Earnings per share worked through at 9.63p, compared with 2.71p, and the proposed final dividend is being doubled to 2p.

The company said that 1993 oil palm crops were expected to show a marked increase over 1992 levels.

Bett Bros £0.5m back in profit

BETT BROS, the property investment and development group, returned to profit for the half year ended February 28 and resumed dividends after a one-year absence.

Pre-tax profit was £551,000 and an interim dividend of 0.5p is being paid from earnings of 3.7p. That contained a contribution at the operating level from each activity – housing, property and Bett Inns, the pubs and hotels division.

Bett was currently trading in line with expectations, the directors said. Further progress was expected in the second half.

In the comparative half year the group incurred a pre-tax loss of £9.93m, equal to 66.2p per share. The deficit was reduced to £4.22m by the financial year-end.

The directors said they were sufficiently confident that problems associated with certain of its south of England property developments were under control, although not yet completely resolved.

PUBLIC WORKS LOAN BOARD RATES

Effective June 2

Years	Quota loans* EIP†	A††	maturity§
1			5⅝
Over 1 up to 2	6⅛	6⅛	6¾
Over 2 up to 3	6½	6½	7⅛
Over 3 up to 4	6¾	6⅝	7⅛
Over 4 up to 5	7	7⅛	7¾
Over 5 up to 6	7¼	7¼	8⅛
Over 6 up to 7	7⅜	7⅛	8½
Over 7 up to 8	7½	7⅝	8¾
Over 8 up to 9	7¾	7⅝	9
Over 9 up to 10	7⅞	8⅛	9⅛
Over 10 up to 15	8⅝	9	9¼
Over 15 up to 25	9⅛	9⅜	9⅜
Over 25	9⅜	9⅜	9⅜

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

MEPC falls to £53m

By Vanessa Houlder, Property Correspondent

MEPC, the UK's second largest property company, yesterday announced a 10.4 per cent decline in pre-tax profits from £58.6m to £52.5m in the six months to end-March.

The company surprised the City by not announcing a rights issue, although it insisted that its options on fund-raising remained open. "The board has not made a decision," said Mr James Tuckey, managing director. "It doesn't rule out the possibility."

Many analysts believe that MEPC will join other large property companies in taking advantage of a revival in property share prices to issue new equity. The most recent example was Wednesday's announcement of a £132m rights issue by British Land, which has formed a partnership with the Quantum Fund run by Mr George Soros, the international financier, to invest in UK property.

MEPC's shares slipped 5p to 443p, in line with a general decline in property share values, as investors took profits following a surge in prices on Wednesday.

James Tuckey: no decision taken concerning rights issue

The company was cautiously optimistic about the market. "My intuitive judgement says that the bottom has passed," said Mr Tuckey.

"There are now some indications of new demand from occupiers beginning to emerge in pockets around the country. This, coupled with evidence of institutions returning to invest once again in property, provides the potential for a return to growth," said Sir Christopher Benson, chairman.

The decline in MEPC's interim profits stemmed from an increase in the cost of net finance from £45.7m to £52.5m. This resulted from a decline in interest capitalised for properties in the course of development from £20.3m to £9.6m, along with lower interest income and continued high fixed interest rates on group debt.

Group rental income increased from £158m to £165m. The overall vacancy rate fell from 8 per cent at the end of last year to 6.5 per cent. MEPC said that its cash flow had been supplemented by a reduction in capital spending coupled with property sales.

Mr Tuckey said that the programme of property sales was likely to slow down, although MEPC would continue to dispose of properties that had limited growth prospects, particularly in central London. He said the company wished to increase its exposure to overseas property, particularly in the US and continental Europe.

Earnings per share fell from 12.4p to 10.4p. The interim dividend is unchanged at 5.25p.

See Lex

Hartstone issues further warning

By Roland Rudd

HARTSTONE, the hosiery and leather goods group, yesterday issued its third profits warning within four months.

Pre-tax profits are likely to be reduced by a further £260,000 after arrangements came to light involving annual payments over four years totalling £1m to employees of a subsidiary company.

Profits after exceptionals were not expected to be less than £9m before yesterday's announcement.

The company also revealed that a senior employee, now suspended, had arranged for certain funds derived from a foreign exchange hedging contract to be paid to an account for his benefit.

An advance of £50,000 to that employee may also be irrecoverable.

Investors were surprised by the last warning that the profits slump would be significantly worse than envisaged when it first made an announcement on lower profits.

The shares, which touched a high of 277p last year, slumped to 31p after the last profits warning. The shares yesterday closed at 41p before the latest profits warning which was issued after the market closed.

The board still expects that a standstill agreement with its banks will be entered into shortly. It recently said it had breached at least one banking covenant calling for 2.5 times interest cover. Interest charges at the half-way stage had risen from £1.3m to £3.3m.

Yesterday's announcement also explained why provisions increased from £8.5m to £11m.

An additional £2.1m related to the repositioning of the hosiery division, particularly in respect of losses incurred in the rationalisation of the UK and a further £1.4m was written off due to abortive acquisition costs.

The remaining consideration of about £5.3m for Azaar International, the Spanish hosiery business, was settled at the beginning of the week.

Discussions continue with Charterhouse Group International on the settlement of £12.8m (£8.3m) for Etienne Aigner and Michael Stevens, the leathergoods groups based in the US.

ABI Leisure

Turnover of ABI Leisure Group rose 3.7 per cent to £39m, in the half year ended February 28 1993, producing profit before tax up from £1.26m to £1.37m.

An interim of 1.25p (1.57p) is declared.

VSEL's 16% rise boosts shares

By Andrew Bolger

SHARES in VSEL Consortium rose 26p to 795p after the Barrow-based builder of Trident submarines reported a 16 per cent increase in pre-tax profits for the year to end-March.

Although sales fell by £78m to £441.9m profits rose from £47.9m to £55.6m pre-tax. Strong cash flow meant interest receivable rose from £9.8m to £13.9m. Cash and cash equivalents improved from £201.8m to £251.1m.

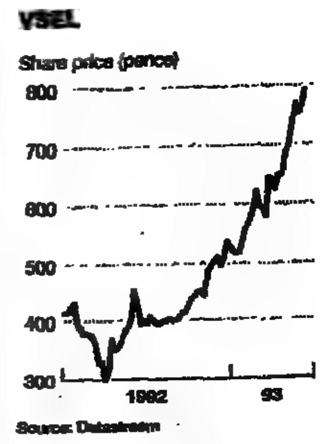
VSEL said its recent successful tender to build a £170m helicopter carrier marked a successful return to building surface warships – a key element in the group's strategy for coping with life after Trident.

The group said it had nothing to fear from a recently-announced National Audit Office inquiry into why its tender was £50m lower than a rival bid from Swan Hunter, the Tyneside yard which went into receivership after failing to gain the work.

Mr Noel Davies, VSEL's chief executive, said that while his company had "sharpened its pencil" to produce the final tender, he could only assume that Swan Hunter believed the government would not let the Tyneside yard close, and had priced its tender accordingly.

VSEL confirmed that it would close the Cammell Laird yard on Merseyside next month, with the loss of 600 jobs. The group said the main reason it had failed to find a buyer for the Birkenhead yard was the inability to have the yard designated as having access to EC subsidies.

Lord Chalfont, VSEL's chairman, said it was expected that the UK's warship building industry would contract from about 21,000 employees in five shipyards in 1990, to about 6,000 in perhaps two or three yards by the second half of the decade. The group currently employs 7,600 people at Barrow, a figure which is set to fall to about 5,000.



Lord Chalfont said: "The board is confident that, in the light of its unique submarine capabilities, versatile resources and financial strength, coupled with its renewed participation in the surface shipbuilding market, VSEL will remain a dominant force in the industry."

Earnings per share increased by 13 per cent to 93.4p (82.4p).

A recommended final dividend of 20p (17p) gives a total for the year of 29p (25p), an increase of 16 per cent.

● COMMENT

Swan Hunter's loss is VSEL's gain, allowing the Barrow group to bridge neatly the looming gap between the run-down of the current Trident programme and the next generation of attack submarines, which should start their tendering process this year. VSEL has handled the shrinking process remarkably smoothly and winning the helicopter carrier also improves its chances of winning orders for more, and larger, surface vessels. Forecast pre-tax profits of £60m put the shares on a prospective multiple of 8, which still looks undemanding – in spite of the rerating it has enjoyed with other defence stocks. The shares are unlikely to ever trade on a market average multiple, but the hefty dividend increase ensures they maintain a yield premium.

GBE for market via Downiebrae

By Richard Gourlay

AN ENGLISH company making tobacco processing equipment since 1849 and with sales to more than 76 countries is coming to the stock market through a reverse takeover of Downiebrae, the shell company suspended last month at 77p.

GBE International, which emerged from a management buy-out from AMF International of the US in 1986, will take over management of Downiebrae, which has two small engineering companies and a pile of cash.

Downiebrae is issuing 36.67m new shares to pay for GBE, valuing the company at £22m. Most of this will repay GBE's venture capitalist backers and management and the GBE employee trust will retain the balance.

Some 24.98m of the shares are being placed at 60p and 7.78m are being offered in a 4-for-9 rights issue, also at 60p.

Beeson Gregory is broker and has underwritten the placing and the rights issue.

Mr Robert Newman, a London-based businessman who owns the women's health club The Sanctuary and bought a 29.9 per cent stake in Downiebrae in February this year, will not be selling his stake. After dilution this stake will fall to less than than 10 per cent, making him the second largest shareholder after Mr Gerald Edwards, chairman of GBE.

Mr Newman will relinquish his position as chief executive but will continue to seek acquisition opportunities as a consultant to Downiebrae. He said he did not have day to day management skills and that GBE's management could not be improved. He would be in a better position to seek further acquisitions as a consultant.

In the year ended December 1992, GBE made pre-tax profits of £2.25m on sales of £34.7m. The company derives most of its sales from process engineering.

Mr Newman owned a 29.9 per cent stake in Downiebrae until 1988 when he sold to Mr Jacques Gaston Murray. He bought it back in February, saying it was an ideal vehicle for doing acquisitions.

The enlarged group will have a market capitalisation of about £31m.

Emap to expand radio side

By Raymond Snoddy

EMAP, the newspaper, magazine and exhibitions group, is hoping to expand its presence in commercial radio. The company yesterday submitted an application to the Radio Authority for one of two new commercial AM licences available for London.

The Emap-backed consortium, London AM, chaired by Ms Joan Bakewell the television presenter, will be aimed mainly, but not entirely, at women. Research carried out by the consortium, the directors of which also include Ms Felicity Kendal, the actress, Ms Liz Kershaw, the radio DJ and Ms Sarah Greene, the television presenter, suggests that women are not well served by commercial radio in London.

There is a rival consortium, which is also targeting female listeners, put together by Ms Lynne Franks, the public relations specialist. This consortium is backed by Jazz FM, the London station which recently won the new regional licence for the north west of England.

Emap is also re-applying for its Kiss FM licence in London. If its London AM application is successful it will run the two in tandem.

The publishing group controls Radio City in Liverpool and has a 29 per cent stake in Trans World which runs commercial radio stations in Manchester, Leeds and Preston.

Applications for a total of eight London commercial licences have to be with the Radio Authority by Tuesday.

St James's Place net asset value 13% ahead

By Roland Rudd

NET ASSETS per share at St James's Place Capital, the investment company chaired by Lord Rothschild and Sir Mark Weinberg, rose by 13 per cent from 95.5p to 107.7p in the year to end-March.

The directors take the view that the company should be judged on a net asset basis, rather than on the profit and loss account. Pre-tax profits fell to £9m, against £18.4m.

Losses in dealing investments rose to £19.5m (£7.5m) mainly because European interest rates took longer to fall than anticipated.

The company was formed after the demerger of J Rothschild Holdings. It operates a fund management arm and has interests in J Rothschild Assurance, a life company, J Rothschild, Wolfensohn, a corporate finance business and a stake in RIT Capital Partners.

The increased value of the latter was the main factor behind the increase in net asset value over the period.

A final dividend of 1.5p makes a total of 3p, payable from earnings of 3.8p (8.7p). The shares slipped 2p to 105p.

● RIT, the investment trust, reported a 29 per cent increase in fully diluted net asset value from 140.7p to 181.1p. The shares rose 3p to 141p.

The main reason for the increase was the rise in the value of its holding in Newmont Mining. It sold a third of its 7 per cent holding to Mr George Soros, the international fund manager who recently invested $400m (£260m) in gold.

Kleinwort in £85m issue

By Philip Coggan, Personal Finance Editor

KLEINWORT Benson is raising £85m of fixed rate debentures for four of the investment trusts within its stable.

A specially created vehicle, Fintrust Debenture, is raising the money in an effort to benefit from the lower costs involved in a larger issue.

The debentures will have a 30-year life and will bear an interest rate of 9.25 per cent per annum. The gross redemption yield will be fixed at a margin of 65 basis points (0.65 of a percentage point) over the yield of the Treasury 8.75 per cent 2017 stock.

The four trusts involved are Kleinwort Overseas (raising £25m), Brunner (£15m), Kleinwort Charter (£15m) and Merchants (£30m).

Investment trusts are allowed to borrow money (or gear up) with the aim of earning a higher return on their portfolios than they pay on the debt. The new debt will leave Brunner, Kleinwort Charter and Merchants with 20 per cent gearing, while the figure for Kleinwort Overseas will be 12.5 per cent.

Simon White, managing director of Kleinwort Benson Investment Trusts, said: "We believe that the current level of interest rates – which is close to 25-year lows – presents an excellent opportunity to raise long-term finance on attractive terms."

Dunloe plans move into fruit distribution

By Tim Coone in Dublin

DUNLOE HOUSE, the Dublin-based property group recently taken over by Mr Ben Dunne, the Irish supermarket magnate, is planning to expand into the wholesale fruit distribution business in a direct challenge to Fyffes in its Irish backyard.

According to Mr Michael Cosgrove, Dunloe's new managing director, no final decision has yet been taken. However, he said that a distribution operation could be set up "within a couple of months".

Mr Dunne bought a 75 per cent stake in the loss-making Dunloe group last March, following his ousting as the chief executive of the family-run Dunnes Stores business, the largest retailing business in Ireland.

Mr Dunne has retained his position as director of food purchasing within the Dunnes Stores group, although his future with the company is seen by some market analysts as being precarious. Mr Dunne yesterday admitted that there were tensions at board level, saying: "They are professional business disagreements. But there is always a way out of them and at the end of the day blood is thicker than water."

Dunnes Stores is an important customer of Fyffes in Ireland. According to one Dublin analyst it generates around 4 per cent of Fyffes' total profits.

It is thought that a former senior manager at Fyffes, Mr Dennis McCoy, is in negotiations with Dunloe to set up its fruit distribution operation although Mr Cosgrove would neither confirm nor deny this.

Fyffes recently won a temporary High Court injunction against Mr McCoy and two other former employees of Fyffes preventing them from setting up their own fruit distribution business in Ireland due to their inside knowledge of Fyffes' operations. The injunction is due to expire in the next few months.

Mr Carl McCann, Fyffes finance director, said last night: "This has always been a highly competitive business with tight margins. We have always respected competition, both new and existing."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Carr's Milling, Chrysalis, Nectronics.
Finals- Beauford, Gartmore Value Inc., London & Overseas Freighters, Property Partnerships.

FUTURE DATES

Interims-

Alvis	Jun. 11
Devenish (JA)	Jun. 8
Electra Inv.	Jun. 16
Eurocamp	Jul. 1
First Philippine Inv.	Jun. 11
McLeod Russel	Jun. 9

Finals-

Acal	Jun. 7
BBS	Jun. 8
Beauford	Jun. 4
Blacks Leisure	Jun. 10
British Steel	Jun. 21
Davies Estates	Jun. 10
Dart	Jun. 17
Hicking Pentecost	Jun. 7
Lep	Jun. 9
London Intl.	Jun. 23
Porter Chadburn	Jun. 15
Scottish Hydro-Electric	Jun. 10
Southern Electric	Jun. 30
Welpac	Jun. 10

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ABI Leisure	int	1.25	July 1	1.57	-	3.76
Bertam Holdings	fin	2.5	July 22	2.5	5	2.5
Bett Bros	int	0.5	July 6	nil	-	nil
French (Thomas)	int	1.45	Aug 27	1.45	-	3.625
MEPC	int	5.25	July 19	5.25	-	20
Norcros	fin	3.5	Aug 9	3.5	7	7
Powell Duffryn	fin	16	Aug 6	16	22.6	22.6
RIT Capital	fin	1.15	July 16	1.15	1.15	1.15
Rowe Evans	fin	2	Aug 31	1	2	1
St James's Place	fin	1.5	July 27	1.5	3	3
VSEL	fin	20	Aug 9	17	29	25

Dividends shown pence per share net except where otherwise stated.

Group 4 expands in Australia and New Zealand

By Angus Foster

GROUP 4 Securitas (International) BV, the parent company for Group 4's international operations, has bought the Australian and New Zealand security arms of TNT Limited, the Australian transport group which has been disposing of non-core businesses.

Group 4 is to buy TNT's 73 per cent stake in TNT Security, which has annual sales of A$35m, for an undisclosed amount.

Group 4, which has had a shareholding in TNT Security since 1976, will own 100 per cent of the company following the transaction.

Group 4 has also bought TNT's 60 per cent stake in TNT Security (NZ) Ltd.

Accountancy changes and closures blamed for profits downturn

Powell Duffryn sharply lower at £21.6m

By Andrew Bolger

POWELL DUFFRYN, the distribution, storage and engineering group, said yesterday that its restructuring programme was bearing fruit in spite of the impact of accountancy changes and the closure of two UK railway freight wagon plants.

Under FRS 3, the group's pre-tax profits fell from £35.3m to £21.6m in the year to March 31.

However, the previous year's result was inflated by an £11.4m exceptional gain on disposals, and the latest figure was depressed by a £7m charge caused by the plant closures.

Stripping out the exceptionals, pre-tax profits increased by 20 per cent, from £23.9m to £28.6m.

Sales grew from £684.1m to £697.5m.

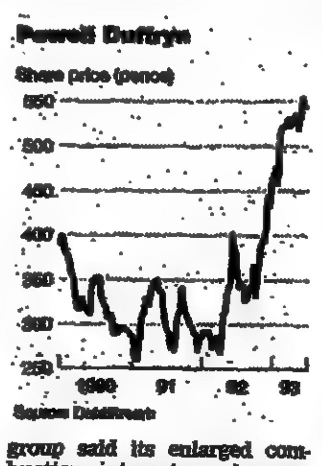
Net debt fell from £30.7m to £29.5m and the gearing ratio was reduced from 31 to 19 per cent.

Mr David Hubbard, chairman, said: "The benefits of the corporate changes of the past two years are becoming increasingly evident in our results. We have good reason to look ahead with confidence to our improved earnings stream."

The impact of recession and another mild winter saw operating profits from fuel distribution plunge from £9.5m to £5.4m, on sales which declined slightly, from £369.4m to £362m.

Engineering increased operating profits from £15.3m to £16.3m on sales which rose from £229.8m to £232.7m. The group said its enlarged combustion interests and pump and refuse collection activities had made commendable progress.

Port services and shipping increased operating profits from £3.4m to to £7.3m, thanks to a full contribution from Tees and Hartlepool. Turnover rose from £49.8m to £84.7m.



The storage division increased its operating profit from £6m to £7.2m. The group said there had been a noteworthy increase in profitability, led by the UK and US terminals, where both cost management and better terms of trade helped the result.

Earnings per share under FRS 3 fell from 36.9p to 18.6p. Stripping out the exceptionals, earnings rose from 20.3p to 28.8p.

A proposed final dividend of 16p maintains the total at 22.6p.

● COMMENT

It seems reasonable to ignore the effects of FRS 3 on these results, since the exceptional gains and losses largely cancel each other out. The underlying performance is impressive, particularly since the group has had to cope with yet another mild winter while continuing to restructure. The exit from railway freight trucks also elicits sympathy: who could have forecast that a major country would be prepared to build a Channel tunnel, but then not invest in new rolling stock? The shares have had a very good run in the last 18 months, as the City has cottoned on to the new strategy. But forecast profits of £35m next year put the shares on a prospective multiple of 15.5, only a small premium to the market. Any further advance will be more modest, but the shares still offer a yield premium and further growth prospects.

FINANCIAL TIMES SURVEY

MID GLAMORGAN

After five years, the Valleys programme has had some real successes: Page 2

Property analyses show demand for premises along the M4: Page 3

Friday June 4 1993

Abercynon town centre (above) where retail facilities are scheduled to be upgraded. And (below) a contrast between old and new industries: inspecting aero-engines at the EMMS factory in Nantgarw, and the Rhondda Valley Heritage Park at the Lewis Merthyr colliery.

Pictures in this survey by Tony Andrews

Industrially and geographically the county is divided by the M4 motorway, with greater prosperity to the south. The valleys are coping with structural change, and progess has been made on the back of better road and rail systems. **Anthony Moreton** reports

Divided by inequalities

AT THE southern entrance to Merthyr Tydfil, across the road from Hoover's European headquarters, Maya Sakata, a Singapore company, has just begun production of electrical cord assemblies. When it gears up to full production, the company expects to turn out 120,000 parts a week.

"We chose Merthyr in preference to sites in the north-east of England or the republic of Ireland," says Mr Melvyn Mitchell, its managing director, "for two reasons: the excellent communications; and the close proximity of other companies in the Far East, such as Malaysia."

One of those companies is within sight. Sekisui was only the second Japanese company to invest in Wales when it arrived in Britain nearly 20 years ago. Across the industrial park in Merthyr from Maya Sakata is another recent arrival: R-TEK, a joint Japanese-French joint venture making car door panels for Honda and Rover.

There is nothing exceptional about these new investments in Mid Glamorgan. In the past 18 months British Airways has announced a £23m avionics workshop at Llantrisant which will create 400 jobs; Robertson Associates, an American-German company, is spending £13.5m on a plant at Nantgarw to produce aluminium can ends for brewers; and two companies have gone to Hengoed, outside Caerphilly – Valeo Wipers Systems and Jones Chromatography.

In addition, existing employers such as Ford at Bridgend and Treforest, EMMS at Caerphilly, Gooding-Sanken at Abercynon and Purolite International at Pontyclun have set in motion investment plans totalling over £150m.

These are investment decisions for which most parts of Britain would mortgage half their future. Yet Mid Glamorgan remains one of the poorest counties in Britain, afflicted by low gross domestic product, poor housing, bad health, inadequate further education and social deprivation. It is a paradox that in the middle of investment success there exist some of the worst housing estates, such as Penrhys in Rhondda, Gurnos in Merthyr and Penywaun in Aberdare.

Mid Glamorgan is two counties socially just as it is two counties geographically; the M4 motorway corridor divides it into unequal parts.

To the south of the motorway, and within a band of four or five miles to its north, lies a county of prosperous farming, a short but attractive coastline with a holiday industry, and settled industry, especially around Bridgend. The M4 has been a magnet, sucking industry in. Income levels, house prices, school facilities and transport links here are good. Most new arrivals, including those in nearby South Glamorgan such as Bosch and British Airways at Cardiff airport, mentioned the motorway as a deciding factor when they chose south Wales.

Further north, the steep-sided valleys make it much more difficult to attract new industry. Some has come, but with the exception of Hoover in Merthyr – which arrived in the town more than 40 years ago as a result of the then government's direction of industry to the distressed areas – Gooding in Aberdare, AB Electronics at Abercynon and a few others, most of the newcomers have been small employers. Closures, such as in the mining industry, have cost large numbers of jobs: the arrivals have not made up the losses.

The valleys have had to come to terms with massive structural change. They were built on coal and iron. The latter went early in this century but coal remained a big employer until the 1984-5 strike. There were still 28 collieries in south Wales, most of them in Mid Glamorgan, in 1985, when the men drifted back to work; today, two of the three left in south Wales are in the county.

Yet the county's industrial heritage lingers on. Mid Glamorgan has proportionately more employed in metal manufacturing, engineering, electronics and general manufacturing than the UK as a whole.

With coal went jobs for men. With the new industries came jobs for women. Many of them were part-time and low paid. Almost half the workforce (49 per cent) are women and a quarter part-time. Service industries, according to Martyn Thomas and Tim Peppin in a report for Mid Glamorgan county council, account for 58 per cent of employees; 10 years ago the proportion was 43 per cent.

Many of the plants pay lower wages than elsewhere, a factor which has helped bring in the newcomers. The average weekly wage for men in Mid Glamorgan last year, according to the government's New Earnings Survey, was £302, only 88.8 per cent of the British figure of £340.1.

This disparity has been widening. Fourteen years ago rates were more or less in parity with those in Britain, according to Thomas and Peppin. Women, too, have suffered, though not so severely, dropping to 83 per cent of the British average.

Other indicators are equally bad. Unemployment at 14.9 per cent is the highest in Wales. Long-term unemployment and that among the very young is high.

In some of the valleys a quarter of the people live alone, many of them in single-parent families. According to the county's economic research unit, "the health of the people compares unfavourably with that of other areas of Wales. One in five people claims to suffer from a 'limiting long-term' illness. In the Rhondda the figure is one in four."

Car ownership, another indicator of prosperity, is also low. Some 37 per cent of households, according to the survey, are without a car, the highest figure for any of Wales's eight counties. The figure is particularly high by British standards in the Rhondda, at 45 per cent.

Not all the indicators are depressing. "There is enormous vitality in the valleys," says Mr Tony Roberts, chief executive of the Cynon Valley council. "With the partnership between local authorities, government, Welsh Development Agency and other bodies such as the Wales Tourist Board which is now taking place, the foundations are being laid for advances as the century ends."

On the up-side there have been big improvements in housing, more jobs for women, more young people in continuing education and the highest population of working age among the Welsh counties.

A lot of these improvements have been made on the back of an improved infrastructure. The motorway is the core of the road system and few places within the county are more than 25 minutes from it. The government has improved the spine roads linking the valleys to the motorway. Merthyr, the Rhondda, Llantrisant, Ystrad Mynach and Maesteg are all now connected in part or whole to the M4 by dual-carriageway or three-lane roads.

The black spot remains the heads of the valleys road, the A465, which runs across the north of the industrial belt and which links it to the English Midlands. Local authorities, MPs, the CBI and the Institute of Directors have repeatedly called for this road to be widened from three lanes.

Two years ago the government conceded the case – both on grounds of economic efficiency and safety – for improving the road between Abergavenny in the east and Aberdare to dual-carriageway at a cost of £145m. Sadly, it took two more years for the Welsh Office to commission a study, which itself will take three years to complete, and the improved road is not likely to be completed before the end of the century.

Improvements in the rail network have also been undertaken, and passenger growth on British Rail's services from the valleys into Cardiff and Newport has been one of the largest in Britain.

"The days when we all worked independently have gone," says Mr Roberts. "Partnership is at the heart of the new economy. If we get our towns right, as in the urban schemes being undertaken by the local authorities and the Welsh Development Agency, then new investment will come.

"Five years ago the first private housing since the war was undertaken in the Rhondda by the Barratt group. The Welsh Office had to offer an inducement through an urban grant to bring the company in. Today builders such as Redrow and Bailey are putting up houses in a number of places."

It is that indicator, more than any other, that points the way to the future. The WDA provides free sites and advance factories have been put up. In the middle of the recession, builders built houses and sold them, many to first-time buyers – a significant indicator of the underlying strength of the economy.

MID GLAMORGAN has an image problem. It is still widely perceived as heavily industrialised, with old coal tips and abandoned ironworks scarring the countryside.

In many ways this impression is understandable. The county has had a proud industrial history and its core activities are in terminal decline – there is now only one coal mine operating in the whole of south Wales compared with 70 at the time of nationalisation in 1947.

The county remains the most industrialised part of Wales, and in parts it has some of the poorest housing stock and lowest living standards in the UK. Yet it is in many respects two counties, a curious mix of industry and agriculture, mountains and seashore, wealth and poverty. The business profile has changed dramatically in recent years as high tech has replaced high stack.

The main boundary line is the M4 motorway which acts as a life line and deliverer of inward investment, but which effectively divides the county in two.

To the north lie the former coalmining valleys of the Rhondda, Rhymney and Taff, potentially attractive with hills and woods, but where the scars of the industrial revolution and the loss of jobs have brought the main challenge of regeneration. To the south lies the other Glamorgan, a lush coastal plain of rich farmland and pretty villages, and a varied coast with great tourist potential.

To the east of the Ogmore river is an attractive heritage coast of cliffs and coves centred on Ogmore and Southerndown, where development is strictly controlled and where it is easy to escape the crowds by walking a few hundred yards. To the west is the traditional family holiday resort of Porthcawl, with a big caravan park recently upgraded, good sands and one of the best golf courses in the country.

Porthcawl, where visiting international rugby teams once stayed before big matches in Cardiff, is now faded, and has been in decline since its Victorian and Edwardian heyday, but the local Ogwr borough council has put forward a tourism strategy to revive its attractions.

The south and the north of the county are two very different areas, reports Richard Evans

Old industrial image dies hard

Studies show that tourism, particularly in Porthcawl, with its Coney Beach funfair attracts over 1m visitors a year, to the borough, contributes £25m to the local economy and supports 2,000 jobs.

It is, therefore, too important a facility to lose and plans have been put forward for a town centre development at Porthcawl, including an inner harbour for 200 boats, a swimming pool and residential and commercial developments.

The borough of Ogwr, Welsh for Ogmore, is centred on Bridgend and is in many ways quite different from the rest of the county. A study by Glasgow University in 1990 on quality of life ranked Ogwr first among all Welsh districts surveyed and among other districts along the M4 corridor.

It was seen as above average in its low-cost owner-occupied and private rented accommodation, its cost of living, health and education provision, and sports and shopping facilities.

The corridor along the M4 motorway through south Wales has acted as a magnet for all kinds of new industry, and inward investment has held up remarkably well during the recession

Although the borough has a relatively high level of unemployment, this is largely because of the influence of the north of the county, where relatively few jobs have been created in the industrial valleys.

The corridor along the M4 has been a magnet for new industry, and inward investment has held up remarkably well during the recession. Big multinational names like Ford and Sony have led the move into Mid Glamorgan.

Ask any inward investor about the attractions of the area, and you will hear of good communications, and a stable workforce.

On the map, south Wales might appear isolated and on the fringes of the European Community, but from Tokyo or Detroit an uncluttered motorway, generous grants and a relatively cheap workforce are more relevant considerations.

A recent example is Sony, which has completed a £150m television factory and research centre at Pencoed employing 1,400 to complement its 20-year-old facility at nearby Bridgend which now concentrates on the production of cathode ray tubes.

Although few places in Mid Glamorgan are further than 30 minutes from the motorway, there remains a perception that the valleys are isolated and it has been much harder to attract new jobs.

The valleys remain the heart of south Wales and of Mid Glamorgan, however. Because of their geological structure the valleys look south to the plain of the Vale of Glamorgan. They rarely look east and west towards each other and can therefore be self-contained and isolated.

A government report on Wales 20 years ago said that new industry in the valleys had only partially replaced the old economic base of coal and steel. In many valleys it was physically impossible, because of the lack of flat land in the steep-sided terrain, to provide jobs on the necessary scale.

The conclusion was that the valley communities were likely to rely to an increasing extent on work within reasonable travelling distance, and this remains the view.

The valleys are bound to be at a relative disadvantage in attracting development compared with the coastal plain, and the future must lie in linking into the relative economic prosperity of the M4 corridor. The valleys are no longer a separate economic entity; the two parts of the county are set to become more interdependent.

Anthony Moreton reports on urban regeneration

Cleaning up the town

FOR THE best part of two centuries, a vast unsightly mound known as the Georgetown tip has dominated the centre of Merthyr Tydfil, "capital" of the valleys of south Wales. Over the years, it has become covered by scrub, bushes and the detritus of modern life.

The tip is iron ore, industrial despoil from when Merthyr was the undisputed iron town of the world. Today, bulldozers are working flat out to remove the tip and create land which can be turned to creative use.

What is happening in Merthyr is not unique. Throughout Mid Glamorgan, indeed across the whole of Wales, urban improvements are being undertaken. Partly, the reason is commercial: to create the sort of conditions that would appeal to inward investment. Partly, though, it is also an acceptance that people in towns which prosperity has only lightly touched are equally entitled to live in pleasant surroundings.

The government, acting through the Welsh Development Agency, has an important programme of urban regeneration schemes for Wales. Last December Mr David Hunt, the former Welsh secretary, announced a £28.4m package of urban aid in the present financial year for 228 projects, 10 more than last year. A third is going to what Mr Hunt called "the most deprived parts". Mid Glamorgan qualifies under that heading. Schemes in Caerphilly, Pontypridd, Tylerstown and Tonypandy in the Rhondda, and the Cynon Valley as well as Merthyr have been backed.

The approach emphasises good management

In Caerphilly, car parking and what the bureaucrats call "traffic calming" are to be supported. In Cynon Valley, largely Aberdare and Mountain Ash, road schemes, business development and general environmental projects are being backed. In the Rhondda an important investment is to take place at the heritage park, once a large colliery. Footpaths, car parks, commercial developments, wash-and-brushups for shops and factories, landscaping, pedestrianisation projects and relief roads have or are all being backed.

General responsibility for these projects has been delegated to the WDA, although they are all joint ventures between the agency, the government and the local authorities, often with participation from the private sector.

David Farnsworth, director of urban development at the WDA, is in charge of the programme. He emphasises that the essential characteristic of the programme is a joint venture among all concerned.

Merthyr Tydfil town centre: urban improvements are being undertaken across the county

Beyond that, though, he believes the agency is pioneering a new form of approach. "What we are doing is undertaking an all-Wales programme, an approach that is almost certainly unique in Europe. We want to help each town find its niche in the new economy that is emerging here," he says.

"Urban regeneration has never been seen positively before. It has always been something undertaken in reaction to a set of events, a reaction to industrial despoilage, to personal deprivation, to environmental shortcomings. Now, our programme is about the way ahead.

"The key to our approach lies in effective public-sector management. It is not about money, though that is certainly needed. It is about public management.

"The traditional approach to the management of towns has been to spend money on a problem when it arises. But towns are complicated market places that succeed as a result of their ability to attract the investment that will provide jobs and economic uplift.

"The Welsh urban programme is attempting to change traditional approaches so that opportunities become the most important factor in the equation. This means that instead of taking a departmental approach, as town halls have invariably done in the past, looking at roads for instance through the eyes of the chief engineer, we want to see the town as a whole.

"Because we at the agency are outside, though close to, the nexus of local and central government we can stand back and reconcile traditional differences between Whitehall and the town hall. Internecine arguments between these centres of government put off investors and so create potential harm for a town's future."

The European Commission was sufficiently impressed by this approach to call David Farnsworth to Brussels at the end of March for a meeting with DG 16, the regional directorate. "The commission felt our approach represented a model for other parts of Europe," Mr Farnsworth says.

"Consequently, the EC wants to talk to us again about aspects of our programme which could be used as a model for other parts of the community. They are keen for us to package our concept of public-sector management in a way that can be used by others."

Meetings behind closed doors in an office in Brussels may seem a long way from what is happening at the Georgetown tip in Merthyr Tydfil. Looked at from the other side, though, the bulldozers in Merthyr represent the active end of a policy the European Commission thinks might be equally applicable in Lombardy or Navarre.

Certainly, the urban programme being led by the WDA is seen as a priority by the agency's board. This year it will be investing some £30m alongside partners in 32 towns across Wales.

That sum represents about a fifth of the agency's budget. Four years ago, when David Farnsworth arrived at the Cardiff headquarters of the agency, that budget was just £4m. "We have found a way of using money effectively which is to the benefit of the whole economy," he says.

"Effectiveness is the current buzzword. It's what the Americans call the big bang for the buck. It is bringing together resources, perspectives, energy and ideas."

It is, and always will be, he insists, a joint approach, a joint venture between all the partners associated with any urban community.

The Valleys Programme is a vehicle to breathe life into an area of Wales that had suffered from the rundown of industry, especially coal

Anthony Moreton follows the progress of Lord Walker's initiative

Valleys' blurred vision

AMONG politicians it has become something of a tradition in Wales that St David's Day should be celebrated with a package of economic and political goodies for the principality. Mr David Hunt, the former Welsh Secretary, did not disappoint his expectant audience on March 1.

The Valleys Programme was launched five years ago in the Rhondda by his predecessor, now Lord Walker, to regenerate what was described as Wales's only inner-city-type problem area. Now it was to be extended. Precise details of how that was to be done were to come later.

For Lord Walker, the consummate political public-relations man, the programme was a vehicle to breathe life into an area of Wales that had suffered unduly from the rundown of structural industry, especially coal. An invited audience was bemused when Walker outlined a vision in which south Wales would, within a recognisable time, become one of the most prosperous parts of Britain.

That Walker renaissance has still to occur. But if cynics and critics ask what precisely has happened the government can point to an inflow of investment and jobs, environmental changes and new town-centre schemes.

The valleys, as envisaged by both Walker and Hunt, are wider than the county of Mid Glamorgan, although it remains at the heart of the initiative. "The important thing about the scheme," says one former civil servant now leading a quango, "is that it focused attention on a part of Wales that had never received its due share of support.

"It is no coincidence, for instance, that private contractors such as Redrow, Bailey and Barratt are now building houses for sale in areas such as the Rhondda and Merthyr Tydfil where they would never have ventured before. This may be a small example but it could be multiplied as the programme begins to take effect."

Tony Roberts, chief executive of Cynon Valley council, concurs. "The programme has put attention firmly on the valleys, which is very much to their benefit."

Lord Walker's plan was to boost advance factory building by the Welsh Development Agency, speed up the clearance of derelict land, increase urban aid, support the arts and tourism and improve 32,000 houses, as well as the health services.

The eye-catching statistic, though, was unemployment. He prophesied that it would drop from 37,000 to about 12,000. But other figures were almost as revolutionary: public investment of £500m in economic and social activities, leading to a private sector injection of £1bn.

Paradoxically, the modern printing company where Lord Walker chose to make his announcement has fallen on hard times, a victim of the recession he was not to foresee. Generally, though, the forecasts have been achieved. Last month David Hunt opened a car door-panel factory in Merthyr owned jointly by Japanese and French concerns. Ford has spent large sums at its engine plant in Bridgend and spark-plug factory in Treforest; EMMS, an American company, has invested £272m at Caerphilly; other investment has come from the US, Germany, Singapore and South Korea.

Both government and county point to a commendable record, given the depth of the recession

Mr Hunt said recently £780m has been invested since the programme was launched, 2.6m sq ft of industrial space has been built, more than 2,000 acres of derelict land cleared and £700m of private investment attracted.

Within Mid Glamorgan, more than £64m has been spent on new or better roads, according to Hugh Thomas, the county's chief executive. Passenger railway services have been improved, 100 acres of derelict land reclaimed last year and a tourist attraction developed at the Rhondda Heritage Park on the site of the former Lewis Merthyr colliery.

Both government and county point to a commendable record, more commendable still given the depth of the recession. Cynon Valley's Tony Roberts believes the Valleys Programme has not only put a spotlight on the area but also "underpinned the need for a partnership in getting things moving. The way in which everyone has worked together for the benefit of the community - government, local authorities, tourist board, Welsh Development Agency, local enterprise agencies - is a model for the rest of the country," he says.

He concedes that the programme's beneficial effects "have been hijacked by the recession". Any appraisal of results must take that recession into account, he says. Even so, solid progress has been made.

Walker's vision of unemployment down to 12,000 remains a long way off. The number out of work in April in Mid Glamorgan was 26,704, which suggests there has only been a slight improvement on 37,000 in the whole area in 1988.

But David Hunt has said: "There are over 10,000 people working in the valleys who would be unemployed if the area had followed the national trend".

Others are more critical. Labour's Welsh spokesman, Ron Davies, says that "unless the Valleys Programme is replaced by a more positive scheme of investment in jobs, manufacturing industry and community regeneration, we shall fail to break the cycle of deprivation and underachievement in the area. Valley communities will continue to decline."

The failure of the Walker-Hunt scheme, he says, is that while the valleys may be greener "no foundations have been built for durable local economies". Better transport services are needed, improved education and training systems, an innovation centre at the University of Glamorgan, one-stop shops set up for small business development and a greater integration of the valleys' industrial base with that of south Wales.

One outside commentator, Dr Kevin Morgan, of University College, Cardiff, believes "the social and economic plight of parts of the valleys is as acute as ever and a series of new and bolder initiatives is needed to reinforce the momentum." The programme, which he calls "a necessary initiative," is " not sufficient to regenerate the area, given current funding".

But the programme has had positive effects. "It has placed the political spotlight on the valleys and nourished the principle of partnership." This is one of the keys to social and economic regeneration, he says.

Tony Roberts agrees, saying: "The future lies not just in the 'positive partnership' between everyone involved in the health of the valleys, as advocated by the secretary of state, but in a equal partnership. This means adequate funding for all the authorities."

Richard Evans looks at the property market

The pattern varies

THE availability of industrial and commercial property has risen to worrying heights during the recession, but there are signs that inward investors are beginning to show more interest in moving to the county.

At first glance the property situation looks grim. Mid Glamorgan, with some 3.8m square feet of industrial floorspace on the market, has the highest level of availability since 1983.

Alarmingly, the amount of floorspace is continuing to rise – there has been a 500 per cent increase in industrial property available since the lowest figure reported in 1989 of 600,000 square feet. The latest level represents a 10.5 per cent vacancy rate for the county, which is significantly higher than elsewhere in south Wales.

However, the pattern varies substantially across the county, and the news is by no means all bad.

Mr David Swallow, private funding director of the Welsh Development Agency, which is responsible for 70 per cent of the industrial and commercial development in the county either by itself or in partnership with private companies, is optimistic. "Throughout the recession we have maintained the 20 per cent of UK inward investment coming into Wales, and we think this will continue."

"What we have seen recently is a big reduction in speculative development as elsewhere and an increase in bespoke schemes....the level here has been maintained very well. We have started to see a definite improvement since Christmas in the level of inquiries."

The greatest take-up levels of industrial property during the last year have been in the smaller size ranges, with a net decrease in availability of property below 5,500 sq ft.

An analysis of property demand carried out by the Mid Glamorgan economic development unit of the county council confirmed that demand continues to be highest for properties within the smaller size bands. This demonstrates the growing importance of the small companies sector in the local economy, particularly in the former coal mining valleys.

There has also been steady demand for premises along, or near to, the M4 corridor. This has prompted the Welsh Development Agency to enter into joint venture agreements with various developers to ensure that sufficient space is available when demand increases.

Both WDA and Brunswick clearly expect demand for commercial and industrial property to increase, and around 150,000 sq ft of floorspace is being built on the site, including two 25,000 sq ft factory units.

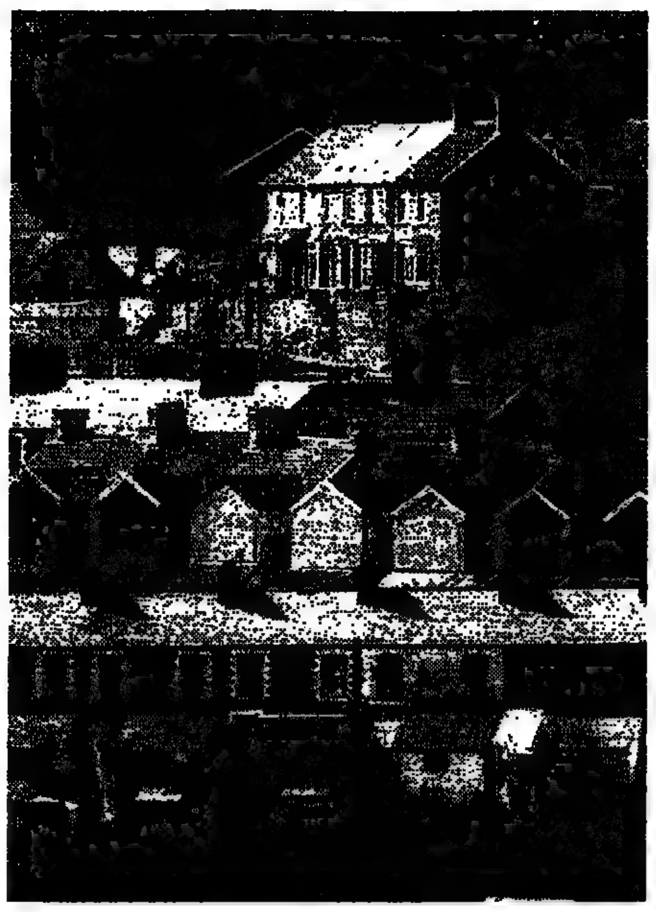
The Llantrisant area, which also has a business park, has proved to be a popular location with both public and private sector developers, because of its excellent road communications and full development area status. This allows investment projects securing employment to apply for a range of incentives, including regional selective assistance.

The other flagship development is at Nantgarw, south of Caerphilly and Pontypridd, where the 100 acre development on the site of old coking works is a joint venture between the WDA and Spen Hill Properties.

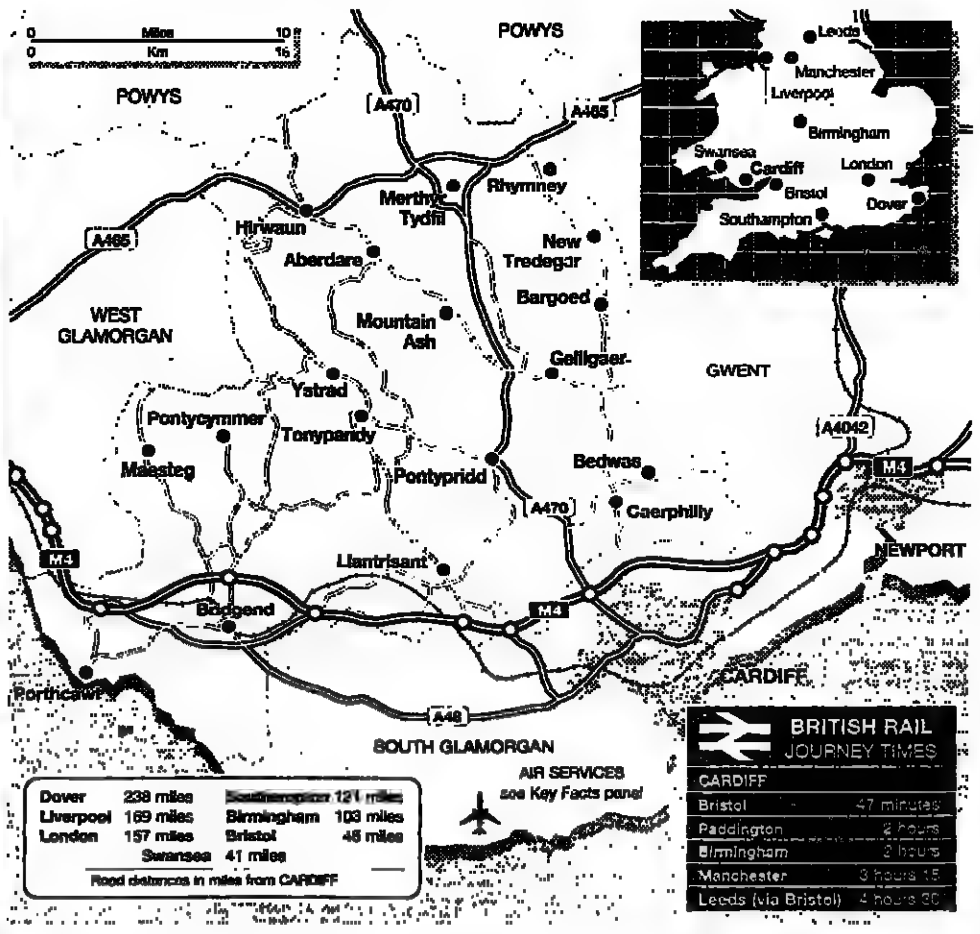
Many units have already been let and a planning application make by a Hong Kong based electronics company seeking to build a 160,000 sq ft factory which would create 1,000 jobs. If this goes ahead it would be one of the biggest projects to go to south Wales since Sony completed its television factory at Pencoed near Bridgend last year.

Mr Rhys James, a director of DTZ Debenham Thorpe, local agents for Spen Hill, admits the Nantgarw experience has been exceptional.

"In general it has been a very difficult time. There have been signs of a slight recovery in 1993, although companies are understandably very cautious and are only moving when they feel they have got a particularly good deal."



Tidy terraces crowd the hillside at Abercynon — Picture: Glyn Genin



In general, the area close to the M4 and the area in the west of the county around Bridgend have survived the recession reasonably well, helped by the smart new Sony factory and more developments by Ford. The local industrial estates are accessible and well established.

It is the towns in the former mining valleys that have found the going tougher, and it is in this area that infrastructure improvements are now planned to attract inward investment.

There are plans to redevelop the town centre at Merthyr Tydfil and to continue the A470 dual carriageway west of the town to link up with the heads of the valley road, giving much easier access to the M50 and the Midlands. "We see this potentially as a great benefit to the whole of the north of the county," says Mr Swallow.

Other initiatives in the pipeline are the redevelopment of town centres and retail areas in Abercynon, Caerphilly, Pontypridd and Tredegar.

Ironically, the improved road links from the valleys down to the excellent shopping facilities of Cardiff have adversely affected retailers in the valley towns, and the town centre developments are aimed at reversing this trend.

Mid Glamorgan and the industrial valleys have undoubtedly benefitted greatly in attracting inward investment in recent years from development and assisted area status, but there is apprehension that this advantage might soon be weakened, if the status is changed in the new lists to be published shortly.

Loss of government and European Community aid would make the attempts to cure the continuing employment blackspots much harder to achieve.

University of Glamorgan: tradition of vocational study

Sandwich courses thrive

THE founders of the South Wales and Monmouthshire School of Mines could hardly have imagined in 1913 that this highly specialised establishment would develop into a fully fledged university with a comprehensive prospectus.

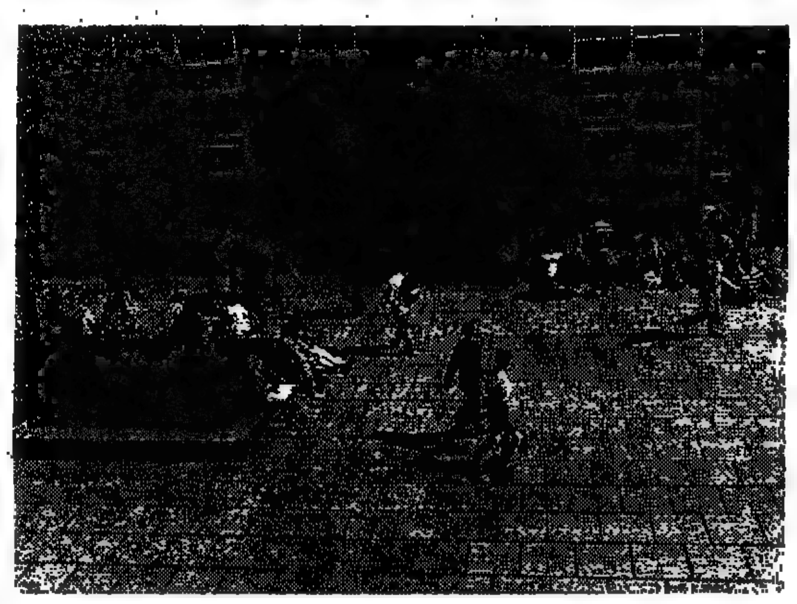
A remarkable history of change and development lies behind the University of Glamorgan, which currently has more than 8,000 full-time students, 14 departments and 400 academic staff.

The story started with the need to train and educate people to run the mines of south Wales, and the Coal Act of 1911 laid down that "an approved diploma or degree, together with practical experience of mining, was necessary for any person to be qualified for a certificate of competency to manage a colliery."

This obliged colliery owners to recognise the need for formal schooling, leading to a recognised qualification, and 18 local pit owners decided jointly to set up and finance a school of mines.

The location chosen was Treforest near Pontypridd, and the ideal building was identified as Forest House built by the Crawshay family, prominent ironmasters in south Wales. The new school was opened in 1913. The most notable aspect of curriculum development was the emphasis on practical training, combined with the theoretical rigour of an academic course.

One of the first sandwich courses in the country was introduced at the school, enabling students to be seconded from their employers for study at the college. This brought education to students who had previously been unable to give up employment and income to study.



Professor Adrian Webb is the first vice-chancellor of Glamorgan University, which has its campus near Pontypridd

Sandwich courses continue to be a vital element of study for degree courses and diplomas in higher education. Professor Adrian Webb, the recently appointed first vice-chancellor of the university, says: "We really need to stick closely to our vocational mission....our intention must be to do less on campus and more on site in private industry and in the public sector."

Prof Webb, who took up his appointment in April from Loughborough, believes maximum emphasis has to be placed on in-service training and on constantly up-dating practical and academic studies. "I think this is very much what industry needs....it's the very opposite of an ivory tower."

Following the government's white paper on higher education in 1957 the then Glamorgan Technical College was redesignated as an area college and again retitled, this time as Glamorgan College of Technology. Eight years later, Mr Antony Crosland, then education secretary, proposed the introduction of polytechnics and in 1970 the college was redesignated Glamorgan Polytechnic.

More changes followed in 1975 when the polytechnic merged with Glamorgan College of Education at Barry to form the Polytechnic of Wales. The merger worked well, but two years ago the initial teacher training role was withdrawn from the polytechnic, which reverted to a one-site campus at Pontypridd.

It was the only polytechnic in Wales, and this created an internal argument about whether it was sensible to lose this distinction in order to become a university when the status of all polytechnics was changed last autumn.

In the end the demands of marketing, particularly to overseas students, won and the poly became the University of Glamorgan last September. However, this should not lead to substantial changes in academic or practical goals.

A company, the University of Glamorgan Commercial Services, was established last year to handle all commercial activity and to act as the focal point for links with industry. In another innovation, there are franchise courses with local colleges and with educational establishments in Greece and Malaysia.

Prof Webb believes that the inevitable pressures to "chase the universities' tails" should be resisted by the former polytechnics, or by Glamorgan at least. He cites the change of status by the colleges of advanced technology (CATs) when they became universities, when some found themselves poor relations of the older, more traditional universities.

"There is a real chance that the polytechnics could end up at the bottom of the pile by chasing the university model. Our strategic plan must lead us to build on the traditional polytechnic model. Our mission remains largely vocational and this has great benefit both for employers and for the local community."

The university received one of the prestigious partnership awards, given as a mark of excellence in course design and teaching, in each of the last two years, and this year it has won two – a rare achievement. Prof Webb says: "We succeeded in this national competition because our courses are well taught, and they are closely geared to what students need and to what employers are looking for in potential employees."

Richard Evans

Tourism: improving quality of life is an attraction

Some effective cards to play

MID GLAMORGAN is succeeding in attracting people not just as workers in the new industries that are replacing the coal mines, but as tourists.

The county, the most industrial in south Wales and in parts the most deprived, may seem an unlikely magnet for tourists, but there is a potential that is being increasingly exploited.

Mr Paul Loveluck, chief executive of the Wales Tourist Board, which has played a big part in promoting new attractions, says: "We have never got it out of perspective, and tourism cannot replace the old traditional industries, but but it can have a growing role in bringing much needed employment to the area."

Mid Glamorgan, despite its image of valleys scarred by pitheaps and steelworks, has always had some effective tourism cards to play, including an unspoilt stretch of coastline, the family seaside resort of Porthcawl, wild moorland including the fringes of the Brecon Beacons, and Caerphilly Castle, one of the greatest surviving medieval castles in Europe, rivalled in size in the UK only by Windsor.

What has been happening in recent years has been the addition to this list of examples of the area's unique industrial history. Rhondda heritage park is probably the best known example of the local community's determination to construct a future from its past.

Despite the relatively undeveloped state of the county's tourist industry, it already employs more than 4,000 people, which puts it ahead of transport, metal manufacture and vehicles, and the trend is upwards. If indirect employment and the multiplier effect of tourists' spending is taken into account, the total exceeds 7,000.

The tourism potential of the industrial heritage of the valleys began to be appreciated in the mid 1980s. A marketing campaign, starting from modest beginnings, was given added impetus in 1987 when Ebbw Vale in neighbouring Gwent was chosen for the 1982 national garden festival.

The intention was to give visitors to the coast and to the urban centres of Cardiff, Swansea and Newport a reason for going up into the valleys, and a series of attractions for day visitors was promoted.

"We were given a boost by the garden festival," says Mr Loveluck. "It achieved one of its objectives of changing people's perceptions of this part of Wales, and many of the festival's 2m visitors have either returned to the valleys or have said they will."

A tourism strategy for the area was launched in 1988 and an initial £1m was allocated to tourism projects in the industrial valleys. When this was used up in a year, additional resources were found.

The campaign has been geared essentially to day visitors, but in 1990 accommodation began to be promoted in order to persuade visitors to stay longer. There was plenty of room for improvement as the available hotel and bed and breakfast accommodation in the mid-80s was sparse and often of indifferent quality.

The situation has now improved substantially, and much better hotel, guest house and self-catering accommodation is available.

Since 1988 the tourist board has deployed £1.4m on projects in the valleys, with a special emphasis on the Rhymney Valley, one of the most deprived following the demise of the mining industry.

Eleven projects were earmarked for help, including a golfing hotel, five other hotels, a farm project, a water skiing centre and a country park.

The biggest new attraction in the valleys is probably Rhondda heritage park on the site of the Lewis Merthyr colliery north of Pontypridd, which closed in 1983. The old buildings have been transformed into big industrial theatres, bringing to life the story of coal. A new programme on energy has just been launched, and next year a trip underground will be included.

In contrast, one of the best examples of a semi-fortified Tudor manor house, Llancaiach Fawr Manor at Nelson in the Rhymney valley, has won awards for its recreation of life at the time of the civil war. Actors and local people dressed in authentic costumes and speaking in 17th century dialect bring the period to life.

Further south on the borders of Mid Glamorgan is Llanerch vineyard, which with its six acres of German and French vine varieties, is the only vineyard in the principality to bottle its wine on the estate.

The county has four country parks and all offer a range of recreational activities for the family including walks, picnic and barbecue sites and children's playgrounds. At Parc Cwm Darran, near Bargoed, lakes provide one of the finest coarse fisheries in south Wales. Dare Valley near Aberdare has a visitor centre, fishing and horseriding, Bryngarw near Bridgend has a Japanese garden, and Bryn Bach near Rhymney has waterskiing and windsurfing.

Although the promotion of tourism by the Wales Tourist Board, the Welsh Development Agency and local authorities is seen as an end in itself in generating more jobs, it will do something equally significant.

The enhanced infrastructure of better roads, hotels and attractions will play a valuable part in persuading potential inward investors to choose the area because of its enhanced quality of life. The valleys will no longer be seen as an area that has lost its way with the demise of king coal.

Richard Evans

Dealers nervous as copper surges

By Kenneth Gooding, Mining Correspondent

A WAVE of nervousness surged through the copper market yesterday as traders who had been gambling that the price had further to fall decided to scramble for cover.

Copper for delivery in three months crashed conclusively through the psychologically important US$1,850-a-tonne level on the London Metal Exchange, touching $1,875 at one stage. Profit-taking caused it to ease back and close at $1,865, up $52 or nearly 3 per cent from Wednesday's close.

The traders' nervousness, also noticeable on the New York Commodity Exchange, was triggered by the possibility of disruptions at some of the world's biggest copper mines, suggested Mr William Adams, an analyst at Rudolf Wolff, part of the Noranda natural resources group. In the US, present labour contracts at Phelps Dodge's Chino mine, Asarco's Ray mine and RTZ's Bingham Canyon all end this month. In Chile, unions at Chuquicamata, the world's biggest copper mine, late on Wednesday rejected the first offer of a new two-year contract from management at state-owned Codelco.

The price of copper collapsed in April, falling by about one quarter from $2,200 to $1,710 a tonne, its lowest level for 5½ years. Analysts said copper's price had been defying gravity for more than a year and had not been reflecting the widespread recession in some of the world's biggest industrial markets.

However, executives from Asarco and Phelps Dodge, in London to talk to institutional investors this week, are reporting a very sharp increase in copper demand in the US, which is far outweighing the downturn in Europe. Demand in Japan remains flat.

Mr Adams suggested that the next technical barrier to copper's upward move was to $1,885 a tonne, then to $1,920.

Russians reject plan to liberalise coal prices

By Leyla Boulton in Moscow

THE RUSSIAN government was yesterday unable to agree to proposals to liberalise low domestic prices for coal, but said it would press ahead with plans to reduce import subsidies on other commodities to defend its own producers and cut the budget deficit.

Mr Boris Fyodorov, the finance minister, said that given opposition to his proposals to free coal prices and cut big subsidies to coal miners, "we are now looking at a compromise to have one big price increase and then slowly increase prices every month".

He described as "crazy" a proposal by the state price committee, which he oversees, to levy a tax on other industries to help subsidise the coal industry and another similar tax sought by the agriculture ministry to support agriculture.

Mr Fyodorov said the cabinet decided to reform the price committee so that it would start fighting unfair pricing practices and deal with forecasting rather than coming up with price-regulating schemes that were "incompatible with a market economy".

Having recently declared that import subsidies would be cut by 40 per cent, Mr Fyodorov said yesterday the idea was to abolish subsidised exchange rates that encouraged state organisations to import grain, sugar and metals instead of buying them inside Russia.

He did not spell out which import subsidies would be cut, not least because he is still struggling with other ministries to get the plan implemented. But the subsidies would be maintained on critical goods that were not produced in Russia in sufficient quantities, such as medicines.

Japanese begin to think the unthinkable

Metals companies are casting aside tradition to survive, says Karen Taylor

THE JAPANESE non-ferrous metals industry is facing its worst crisis since the two oil shocks of the 1970s. The economic bubble of the late 1980s has well and truly burst leaving the Japanese little choice but to tighten their obis. Already there are concerns that traditional work practices will not survive the changes needed to maintain Japan's leading position in an increasingly international marketplace.

Domestic demand even for the comparatively healthy aluminium and copper markets has slumped significantly. For example, in 1992 Japanese aluminium consumption fell for the first time in 11 years, dipping 4 per cent to 3.7m tonnes, according to the Japanese Aluminium Federation.

The contribution of the seemingly recession-proof aluminium cans sector - up 6.8 per cent last year - was robustly countered by a reduction in the remaining markets of machinery, building and construction, electric and telecommunications. The motor industry has been particularly badly affected with Nissan the first to propose plant closures. As a result, in 1992 aluminium sheet shipments for car manufacture slumped for the first time in 15 years, falling 4.7 per cent to 78,238 tonnes. Extruded products fell 7.6 per cent to 92,688 tonnes - the first decline for six years.

The copper market has fared no better. Domestic consumption was down from 1.6m tonnes in 1991 to 1.4m tonnes last year, compared with output of 1.1m tonnes. Faced with a 300,000-tonne demand deficit the producers are still pumping out the metal - but any plans for domestic expansion have been discreetly shelved. Japan's biggest copper unit, Nippon Mining's Saganoseki smelter, is conveniently waiting to see the results of a feasibility study before committing itself to cranking up production.

In its traditional way Japan is doing all it can to make the best of the situation and save face. In most cases the "job for life" tradition is being upheld, although the "job for the wife" is another matter. Part-time workers - usually married women working eight-hour days - and immigrant labourers have been the first to lose their jobs in the initial wave of rationalisation.

As a result Japan saw its first decline in people employed in seven years in February, with the figure falling 250,000 - or 0.4 per cent - to 62.8m. Leading the way with lay-offs are western companies like IBM, which have had less compunction about cutting back staff to meet decreased demand.

At the moment, for the worst-afflicted industries - like secondary (recycled) aluminium, of which the motor industry is a major consumer, and the ferro-alloys that go into the ailing steel industry - production cuts are the answer. The major aluminium alloy producers have reduced output by 10-15 per cent and few will report healthy profits for 1993.

Daiki Aluminium, Japan's leading producer, registered a loss for 1992, the first in its operating history. In response the company, which at 200,000 tonnes-a-year has the world's greatest capacity, has slashed output by 15 per cent and workers have already left voluntarily.

According to executive vice-president Mr Takaari Yamamoto, the second quarter of this year will see more serious restructuring. Mr Yamamoto, who is set to take over the helm from his father, suggested some of the smaller smelters could close.

"This is a time of change for the kitchen shop smelters. A new generation is taking over," he said, suggesting that some of the sons in line for the dubious inheritance of an ailing secondary smelter might grab the yen and run. Clearly, there are indications that Japan's own baby boomers - softened by years of plenty, western standards and materialism - will be less inclined to keep up appearances.

Elsewhere, the ferro-vanadium producers have cut back capacity to about 3,000 tonnes a year, with the resulting 1,000 tonnes annual supply deficit made up by cheap imports.

According to Nissho Iwai official Mr Shoji Uematsu, whose trade house acts as an intermediary for the producers and also sells cheap Czech ferro-vanadium to south-east Asia in direct competition: "The Japanese converters are not competitive enough. The time will come when some part of the industry will need to be replaced by imports".

At the moment the Japanese are still maintaining the tradition of quality, refusing to use lower grade Russian imports. But the Japanese are monitoring the material, with small amounts of Russian imports for testing showing up on the statistics sheets.

The Japanese are also monitoring investment possibilities in the former Soviet Union. A large delegation of Japanese government and private-sector representatives recently embarked on a two-week mission to the central Asian states of Uzbekistan and Kazakhstan to survey non-ferrous mines and refining operations.

On a smaller scale, Tokyo-based trade house Tomen is sending a delegation to Moscow to look at possibilities, while Nissho Iwai is faring better than most from its shrewd marketing arrangement with the Czech ferro-alloys producer Mnisek.

On the domestic front much hangs on the government's spending initiatives, which injected Y10,700bn (£64bn) last year and are set to stump up a further Y13,000bn this year.

But business confidence has taken a severe battering and no one is predicting a vigorous economic recovery.

Mr Kunio Ino, manager of the purchasing department of Furukawa Electric, which produces aluminium sheet and extrusions, revealed that his company's sheet production for the can industry had been cut from 20,000 to 17,000 tonnes a month. He believes that over-investment is responsible for poor results in the Japanese aluminium industry, which has poured money back into new projects and expansion to keep pace with sustained growth of 10 per cent a year.

"Fortunately, we did not have enough money to invest abroad," he said, adding: "Recovery [nationally] is possible next year, but the pace will be very slow. The [aluminium] industry invested too much over the past five years. Next year will see much lower investment, with investment decreasing by 5 to 10 per cent per year over the next two or three years."

Mr Yoshihiro Shito, managing director and general manager of the non-ferrous metals division of Tomen, agreed that over-investment had added to the burden of high overheads, producing tiny profits compared with turnover. For example, the big five steel companies recently reported turnover down "only 7 to 10 per cent with profits slashed by 60 to 100 per cent".

Suggesting that the Japanese will do anything to save face he added: "The Japanese economy cannot be sunk. [Some companies] have sold assets to offset losses, to make a round figure . . . Japan is standing on a turning point, it is looking to the US for leadership."

Clinton's budget package hinged on peanut deal

By Nancy Dunne in Washington

THE CLINTON administration agreed to an expansion of US sugar and peanut quotas in a deal to get the support of Democratic congressmen for the President's budget package.

The economic package only barely passed, squeaking by with a 219-213 vote.

As a result of the deal, the US will reclassify products made mostly of sugar, imported from Canada under the bilateral free trade agreement and included in the quota for sugar-containing products. A similar process will apply to peanut paste.

Mr Don Parrish, an American Farm Bureau official, said the farm lobby has urged the "reclassification" because Canadian companies were circumventing rules of origin as well as the established quota on sugar containing products.

The value of the sugar in the reclassified products could be as much as US$84m.

US farm groups say the expansion of the quota to other products will help stabilise US sugar prices, which are maintained by a tariff rate quota. They say the peanut paste exported by Canada is mostly made from imported peanuts through a process that does not transform the product enough for it to count as Canadian.

US threatens to escalate trade dispute over apples

By Emiko Terazono in Tokyo

JAPAN faced increasing pressure yesterday to lift its 22-year-old ban on US apples as Senator Slade Gorton of Washington state, speaking at a news conference in Tokyo, warned that Japan's refusal to allow imports of the fruit was a potential violation of the General Agreement on Tariffs and Trade.

Japan's apple market was officially liberalised in 1971 but has remained closed through strict quarantine rules over pests and diseases. The Japanese maintain that the matter is purely technical but the US is now poised to treat it as a symbol of unfair trade practices by threatening to escalate the squabble into a political issue. Last month, Mr Mike Espy, US agriculture secretary, and Mr Mickey Kantor, US trade representative, wrote to Japan's agriculture minister, warning that continuing the ban on US apples would "exacerbate trade tensions" between the two countries.

The US is demanding that the apple market be opened by next January, and wants Japanese inspectors to be dispatched to Washington to confirm fumigation treatments for pests.

The US frustration stems from years of trying to meeting Japanese requirements for controlling the codling moth pest and fireblight disease. The Japanese have recently raised concern over another pest, the lesser apple worm.

Japan's recent agreement with New Zealand to import apples starting this month, has also added to the tension. US trade negotiators point out that New Zealand was given priority treatment because its apple crop was a tenth the size of the US's and its growing season was opposite of Japan's.

In their turn, Japanese agricultural ministry officials have pointed out that citrus-producing states in the US have yet to accept imports of Japanese mandarin oranges.

However, Mr Tom Hale, president of the Washington Apple Commission, which represents growers producing 80 per cent of the US apple crop, contended: "It still means that 75 per cent of America's population can eat Japan's mandarins. We wouldn't complain if 75 per cent of the Japanese apple market was open to us".

Miners plan W Australian gas pipeline

By Bruce Jacques in Sydney

THREE OF Australia's leading mining companies, Western Mining Corporation, BHP Minerals and Normandy Poseidon, have lodged a proposal to build a A$400m (£175m) gas pipeline to link Western Australia's gas fields with the state's mineral production centres.

The three companies announced yesterday they had formed a joint venture called Goldfields Gas Transmission in response to an invitation from the Western Australian government.

The envisaged pipeline would transmit gas from the North West Shelf region to the state's gold and other metal projects along a route stretching more than 1,500 km to the south-east.

The chairman of the GGT management committee, Mr Don Morley, said yesterday that the purpose of the pipeline, which would be built and funded by the private sector, was to reduce energy costs.

"This is complementary to the interests of the joint venturers in GGT whose collective energy needs represent between 75 and 90 per cent of the initial pipeline loads," he said.

Mr Morley said the GGT proposal envisaged that third parties would have access to the pipeline at fair tariffs. Other parties would also be considered for direct participation in the project.

GGT was prepared to begin environmental and aboriginal heritage studies on the pipeline route immediately if the Western Australian government approved the project, Mr Morely said.

New Zealand rejects farmers' plea for flea

By Terry Hall in Wellington

THE NEW Zealand government yesterday refused to bow to demands from farmers to introduce the myxomatosis flea. The farmers say the flea is needed to kill millions of rabbits which are devastating parts of the South Island's alpine country, but the government argues that it might endanger the native bird, the kiwi.

Mr John Falloon, the minister of agriculture, said it was possible that the myxomatosis flea would also attack the kiwi, the flightless bird that is New Zealand's national symbol. "And I don't want that on my conscience," he said.

It had been a difficult decision, he said, and he knew it would enrage South Island farmers. "But we simply could not guarantee that there was no risk to the kiwi."

"It is known that unlike other birds, the kiwi has the same body temperature as the rabbit, and parts of body are covered with hair-like feathers that are very similar to rabbit fur."

Kiwis also live in a burrows.

Mr Falloon promised that the government would spend an additional NZ$1.3m (£460,000) on the search for other ways to to cope with the exploding rabbit population and with the high cost of alternative pest control measures. Rabbits are causing multimillion-dollar losses to South Island high country farmers through erosion.

Ivory Coast to host coffee talks

BRAZIL'S commerce minister, Mr Jose de Andrade Vieira, is to visit the Ivory Coast in late June or early July to discuss producer moves to boost world coffee prices, the Ivorian commodities minister, Mr Guy-Alain Gauze said yesterday, Reuter reports from Abidjan.

The two men met last month in Brazil.

WORLD COMMODITIES PRICES

MARKET REPORT

Encouraged by the new-found strength of copper prices (see story above) the London Metal Exchange **ZINC** market yesterday made a further attempt to erode resistance above $950 a tonne for three months metal. But dealers said it ran out of momentum at $957 before closing $6 up on the day at $955.50 a tonne. "If copper falls back I can't see zinc at these levels for long," one trader said. **LEAD** prices recovered some more of their losses as recognition that recent production cuts had limited the downside for the metal sparked a bout of short-covering. The three months delivery price closed at £271.25 a tonne, up £3.75. The **NICKEL** market was also firmer, with the three months price breaking resistance above $5,700 to close at $5,826.50 a tonne, up $121 on the day. In after-hours trading, however, it slipped back to $5,805. In the **GOLD** market this week's retracement from recent highs was halted by persistent buying, believed to emanate from continental Europe. The London price closed at $373.25 a troy ounce, up $3. **PLATINUM** relied on spill-over buying from gold as it rose $5.75 to $387.5 an ounce at the afternoon price fixing.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$16.13-6.28z	-0.18
Brent Blend (dated)	$18.23-8.25	-0.27
Brent Blend (Jul)	$18.34-8.36	-0.31
W.T.I (1 pm est)	$19.79-9.81z	-.385
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$206-209	-1
Gas Oil	$172-173	-1
Heavy Fuel Oil	$65-67	
Naphtha	$181-182	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$373.25	+3
Silver (per troy oz)♣	444c	+3
Platinum (per troy oz)	$387.75	+5.75
Palladium (per troy oz)	$122.50	+0.65
Copper (US Producer)	87.5c	+0.6
Lead (US Producer)	34.83c	+1.13
Tin (Kuala Lumpur market)	13.17r	+0.1
Tin (New York)	239.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	145.46p	+0.92*
Sheep (live weight)†♣	127.20p	-9.79*
Pigs (live weight)†	93.46p	+0.12*
London daily sugar (raw)	$273.7	-1.8
London daily sugar (white)	$272.0	-2.5
Tate and Lyle export price	£269.0	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	68.50p	-0.25
Rubber (Aug)♥	58.75p	-0.25
Rubber (KL RSS No 1 May)	209.5m	
Coconut oil (Philippines)§	$457.5y	+12.5
Palm Oil (Malaysian)§	$370.0u	+2.5
Copra (Philippines)§	$286.0u	+5
Soyabeans (US)	£173.5z	-1.5
Cotton "A" Index	60.05c	+0.35
Wooltops (64s Super)	357p	+18

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun.z-July.. v-Oct/Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR - London FOX ($ per tonne)

White	Close	Previous	High/Low
Aug	276.30	276.80	277.00 272.50
Oct	276.00	276.80	277.00 272.00
Dec	278.80	279.30	279.00 276.50
Mar	280.50	280.20	281.00 277.50
May	284.30	284.70	284.30

White 2205 (1033) Paris- White (FFr per tonne): Aug 1480.34 Oct 1499.04

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low
Jul	18.67	18.54	18.58 18.34
Aug	18.82	18.66	18.70 18.60
Sep	18.89	18.76	18.79 18.66
Oct	18.76	18.86	18.89 18.76
Nov	18.93	18.92	18.93 18.93
Dec	18.96	19.02	18.96 18.96
IPE Index	18.62	18.63	18.62 18.62

Turnover 24000 (18198)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low
Jun	171.25	172.25	171.50 170.75
Jul	171.75	172.75	172.00 171.25
Aug	173.25	174.00	173.50 173.00
Sep	175.25	175.75	175.75 175.25
Oct	178.50	179.25	178.75 178.50
Nov	181.00	181.25	181.00 180.25
Dec	183.00	183.50	183.00 182.25
Jan	183.25	183.75	183.50 183.00

Turnover 12209 (8066) lots of 100 tonnes

FRUIT & VEGETABLES

French cherries are this week's best fruit buy at 25-30p a ¼lb. along with Spanish strawberries at 45-55p per 8oz punnet (50-60p) reports the FFVIB. Packham pears at 40-55p a lb (45-60p). pineapples at 90p-£1.30 each (90p-£1.30) and Galia melons at 90-£1.25 each (90p-£1.50) round off this week's best fruit buys. New season summer cabbage at 30-35p a lb or 40-44p each is an excellent vegetable choice this week. Among the best salad buys are cucumber at 50-70p each (50-70p), round lettuce at 25-30p each (25-35p). English tomatoes at 55-65p a lb (60-65p) and Spring onions at 35-40p a bunch (35-40p).

COCOA - London FOX £/tonne

	Close	Previous	High/Low
Jul	662	664	669 661
Sep	678	680	683 677
Dec	699	701	703 697
Mar	719	722	725 718
May	733	736	740 733
Jul	747	749	754 747
Sep	762	765	765 761
Mar	806	809	814 807

Turnover: 3692 (3236) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Jun 2 684.72 (691.36) 10 day average for Jun 3 694.51 (696.84)

COFFEE - London FOX $/tonne

	Close	Previous	High/Low
Jul	916	916	925 914
Sep	923	924	930 920
Nov	929	928	936 923
Jan	934	934	941 930

Turnover: 1419 (1555) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Jun 2 Comp. daily 54.84 (54.95) 15 day average 54.84 (54.73)

POTATOES - London FOX £/tonne

	Close	Previous	High/Low
Apr	100.3	98.3	101.0 98.0
May	107.0	105.5	107.0

Turnover 76 (166) lots of 20 tonnes.

SOYAMEAL - London FOX £/tonne

	Close	Previous	High/Low
Oct	144.3	-	144.3

Turnover 25 (203) lots of 20 tonnes.

FREIGHT - London FOX $10/index point

	Close	Previous	High/Low
Jun	1460	1479	1478 1450
Jul	1340	1342	1346 1330
Aug	1345	1342	1345 1330
Oct	1433	1430	1415 1400
BFI	1609	1616	

Turnover 143 (142)

GRAINS - London FOX £/tonne

Wheat	Close	Previous	High/Low
Jun	136.50	136.40	136.00 136.50
Nov	109.35	109.35	109.35 109.20
Jan	112.15	112.20	112.20
Mar	114.65	114.75	114.65
May	116.75	-	116.95
Barley	**Close**	**Previous**	**High/Low**
Nov	108.40	-	108.45 108.35

Turnover: Wheat 141 (31). Barley 6 (11). Turnover lots of 100 Tonnes.

PIGS - London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	115.0	113.2	115.0
Jul	107.0	108.3	107.0

Turnover:5 (14) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 38,702 lots
Cash	1130-1	1127-9		1130.5-1.0		
3 months	1152-2.5	1151-1.5	1156/1152	1152.5-3.0	1253-3.5	185,802 lots
Copper, Grade A (£ per tonne)						Total daily turnover 86,553 lots
Cash	1219-20	1166-7	1203/1203	1203-3.5		
3 months	1220.5-1.0	1161-2	1227/1207	1209-9.5	1218.5-9	213,825 lots
Lead (£ per tonne)						Total daily turnover 2,185 lots
Cash	281.5-2.5	257.25-8.25	258/258	258-8.25		
3 months	271-1.5	267-8	271/267	267.5-8.0	271-2	20,749 lots
Nickel ($ per tonne)						Total daily turnover 5,892 lots
Cash	5750-60	5635-45		5750-5		
3 months	5825-8	5700-10	5840/5760	5835-40	5800-5	47,842 lots
Tin ($ per tonne)						Total daily turnover 2,246 lots
Cash	5220-30	5167-72	5200/5190	5190-5		
3 months	5275-80	5225-30	5260/5230	5235-40	5270-80	10,460 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,830 lots
Cash	938-9	929-30	930.5	930.5-1.0		
3 months	955-6	948-50	956/947	949-50	955-6	88,423 lots

LME Closing £/$ rate: SPOT: 1.5385 3 months: [illegible] 6 months: 1.5210 9 months: 1.5144

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	373.00-373.50	
Opening	368.75-369.15	
Morning fix	370.40	239.812
Afternoon fix	374.70	243.312
Day's high	374.25-374.75	
Day's low	369.00-369.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.07	6 months	2.30
2 months	2.14	12 months	2.39
3 months	2.22		

Silver fix	p/troy oz	US cts equiv
Spot	284.10	438.50
3 months	288.00	441.60
6 months	291.90	446.20
12 months	300.30	454.05

GOLD COINS

	$ price	£ equivalent
Krugerrand	370.50-373.50	240.00-242.00
Maple leaf	384.95-387.85	-
New Sovereign	88.00-91.00	57.00-59.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1125	42	64	19	24
1150	29	50	30	35
1175	18	37	44	47
Copper (Grade A)	**Calls**		**Puts**	
1800	106	129	35	57
1850	76	101	55	79
1900	53	78	81	104
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
900	23	61	34	38
950	9	39	44	66
1000	2	25	87	102
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
600	62	83	-	5
625	13	63	2	10
650	19	45	7	17
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
1800	-	-	5	18
1850	-	50	17	33
1900	-	26	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	374.6	369.2	375.3	372.0
Jul	375.4	370.0	0	0
Aug	376.2	370.8	377.8	373.5
Oct	377.8	372.4	379.2	375.0
Dec	379.4	374.1	380.8	376.9
Feb	380.9	375.8	380.9	379.5
Apr	382.5	377.2	382.0	382.0
Jun	384.1	378.9	384.7	384.7
Aug	385.8	380.7	385.0	385.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	392.6	383.7	393.5	387.1
Oct	390.9	381.3	391.5	386.0
Jan	390.3	381.3	391.0	388.0
Apr	390.1	381.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	444.7	435.7	0	0
Jul	445.8	436.6	448.5	440.5
Aug	447.4	438.4	0	0
Sep	449.0	439.8	451.0	443.0
Dec	453.5	444.5	456.5	448.0
Jan	454.1	446.1	0	0
Mar	458.1	449.2	459.0	455.5
May	461.6	452.7	463.0	463.0
Jul	464.8	455.6	464.0	463.0
Sep	468.4	459.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	84.05	81.05	84.20	82.35
Jul	84.30	81.40	84.70	82.30
Aug	84.40	81.60	0	0
Sep	84.50	81.85	84.65	82.70
Oct	84.70	82.05	0	0
Nov	84.85	82.30	0	0
Dec	85.00	82.60	85.30	83.40
Jan	85.15	82.75	0	0
Feb	85.30	82.95	0	0
Mar	85.50	83.20	85.60	85.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	19.76	20.03	20.09	19.73
Aug	19.94	20.19	20.25	19.92
Sep	20.08	20.29	20.34	20.05
Oct	20.14	20.34	20.37	20.15
Nov	20.23	20.37	20.40	20.17
Dec	20.22	20.39	20.42	20.21
Jan	20.22	20.38	20.41	20.21
Feb	20.30	20.37	20.39	20.39
Mar	20.30	20.36	20.30	20.30
Apr	20.19	20.35	20.19	20.18

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	54.30	54.80	55.10	54.20
Aug	55.00	55.46	55.75	54.95
Sep	56.00	56.43	56.70	55.90
Oct	57.05	57.42	57.60	57.00
Nov	58.00	58.39	58.55	58.00
Dec	58.90	59.31	59.56	58.80
Jan	59.40	59.79	59.95	59.40
Feb	59.40	59.82	59.90	59.40
Mar	58.00	58.17	58.55	58.00
Apr	56.90	56.77	56.90	56.90

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	871	877	890	865
Sep	906	912	924	901
Dec	948	951	963	945
Mar	985	987	1000	980
May	1014	1015	1019	1006
Jul	1034	1035	0	0
Sep	1056	1058	1065	1065
Dec	1089	1090	0	0
Mar	1124	1124	1129	1122

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	60.90	61.60	62.05	60.60
Sep	62.75	63.40	63.85	62.50
Dec	65.30	66.20	66.65	65.20
Mar	67.50	68.40	68.90	68.00
May	69.30	69.85	70.00	70.00
Jul	70.60	71.30	72.00	71.30
Sep	72.10	72.55	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.46	10.67	10.65	10.29
Oct	10.78	10.89	10.92	10.52
Mar	10.94	10.88	10.70	10.47
May	10.56	10.59	10.60	10.40
Jul	10.50	10.53	10.50	10.35
Oct	10.44	10.47	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	60.87	60.90	61.30	60.75
Oct	59.63	59.61	60.10	59.63
Dec	59.16	59.06	59.45	59.10
Mar	60.10	59.95	60.40	60.05
May	60.66	60.51	61.10	61.10
Jul	61.05	60.90	61.50	61.01
Oct	60.75	60.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	109.65	111.75	112.05	109.60
Sep	112.80	114.55	114.85	112.75
Nov	115.15	117.00	116.80	115.50
Jan	117.25	118.20	118.50	116.50
Mar	118.25	119.00	119.75	117.50
May	118.75	119.00	0	0
Jul	118.75	119.00	0	0
Sep	118.75	119.00	0	0
Nov	118.75	119.00	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jun 3	Jun 2	mnth ago	yr ago
1660.6	1656.2	1643.6	1594.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun 2	Jun 1	mnth ago	yr ago
Spot	119.71	118.89	-	117.28
Futures	120.74	120.04	-	118.68

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	590/0	588/6	594/0	588/6
Aug	587/6	587/2	591/6	587/4
Sep	584/6	584/0	588/4	584/4
Nov	584/6	585/0	589/0	584/4
Jan	591/0	591/0	595/4	591/0
Mar	598/0	598/0	601/4	598/0
May	600/4	600/2	604/2	600/4
Jul	602/4	602/0	605/4	602/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.79	20.77	20.96	20.77
Aug	20.92	20.93	21.07	20.91
Sep	21.04	21.05	21.18	21.02
Oct	21.16	21.16	21.27	21.10
Dec	21.38	21.39	21.51	21.36
Jan	21.48	21.49	21.61	21.48
Mar	21.69	21.59	21.75	21.69
May	21.87	21.88	0	0
Jul	21.99	21.98	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	187.8	186.9	188.7	187.4
Aug	186.7	186.3	187.7	186.7
Sep	186.3	185.6	187.4	186.3
Oct	186.0	185.6	187.0	185.6
Dec	186.6	186.0	187.5	186.4
Jan	186.0	186.2	187.3	186.0
Mar	186.5	186.4	187.2	186.5
May	186.7	186.7	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	219/0	219/2	221/0	218/4
Sep	223/6	223/6	225/4	223/2
Dec	229/6	229/6	232/0	229/4
Mar	237/2	237/2	239/2	237/0
May	241/6	242/0	244/0	241/6
Jul	246/0	245/6	247/2	245/6
Sep	242/0	242/0	242/0	242/0
Dec	240/2	240/2	241/0	240/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	285/2	284/4	287/2	284/4
Sep	288/2	287/4	290/4	287/6
Dec	300/6	299/6	302/2	299/6
Mar	306/6	307/0	309/0	306/4
May	306/6	307/2	309/2	306/6
Jul	306/2	306/6	307/2	306/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	75.475	75.000	75.500	75.075
Aug	73.725	73.225	73.900	73.250
Oct	74.500	74.050	74.525	74.050
Dec	74.525	74.075	74.550	74.075
Feb	74.025	73.575	74.100	73.600
Apr	75.150	74.700	75.150	74.925
Jun	72.325	72.000	72.500	72.000

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	51.300	51.575	51.600	51.250
Jul	48.900	49.300	49.575	48.850
Aug	46.925	47.200	47.375	46.700
Oct	42.175	42.425	42.600	42.025
Dec	43.175	43.400	43.650	43.050
Feb	43.450	43.600	43.700	43.300
Apr	42.350	42.550	42.600	42.350
Jun	47.700	47.800	47.875	47.700

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	38.475	39.275	39.650	38.125
Aug	37.575	38.075	38.450	37.150
Feb	40.675	40.975	41.300	40.625
Mar	40.025	40.425	40.500	40.025
May	40.600	41.050	41.100	40.800

LONDON STOCK EXCHANGE

Profits taken as turnover recedes

By Terry Byland, UK Stock Market Editor

SOME OF the bounce went out of the UK stock market yesterday as it approached the end of a successful equity market account without any sign of the interest rate cuts which have been predicted in some quarters. Share trading volume was reduced and share prices were led downwards for much of the session by weakness in stock index futures.

UK equities opened lower and extended their losses in early trading, without waiting for confirmation from the Bundesbank policy meeting that no action was being taken on German interest rates. With the June contract on the FT-SE Index at a discount at one time, there was little support for the blue chips, although ICI continued to benefit from switching out of Zeneca as investors backed away from pharmaceutical stocks.

The Footsie was 18 points off at just under 2,845 by mid-morning, but then rallied in moderate trading as some rate cut optimism returned. The early loss was cut by about one half before a poor start on Wall Street, which shed 18 Dow points in early trade, put London into reverse again.

The final reading of 2,852.8 on the FT-SE Index showed a loss on the day of 10.2 points. The two week account has brought a recovery in the equity market which had touched the lower end of its perceived trading range, and dealers said that some profits were being taken yesterday ahead of the close of the account tonight.

Property shares, which bounced ahead on Wednesday in response to the joint £284m joint venture between Mr George Soros and British Land, gave back some ground yesterday. Banks followed a similar path.

BT's move to take a $4.3bn stake in MCI, the US telecommunications group, prompted excitement in the telecoms sector as industry experts looked for the next move in the global communications struggle.

The Footsie remained last night around the middle of its trading range, but traders began to show renewed concern over valuation of the equity market and its rating against government bonds.

The FT-SE Mid 250 Index which has been outperforming the Footsie and closed at a new peak on Wednesday, slipped back by 7.8 to 3,183.6 yesterday.

However, trading in the non-Footsie stocks which make up a significant part of the FT-SE Mid 250 Index, provided only about 56 per cent of yesterday's Seaq volume total of 568.2m. On Wednesday, 601.9m shares traded through the Seaq network for a retail or customer valuation of £1.19bn.

Market strategists hope that institutional liquidity will soon begin to improve as the ICI/Zeneca demerger is absorbed and the BT3 sale gets under way. Lack of liquidity has been a restaining factor in an equity market still overshadowed by government financing plans in the government bond sector.

While the change of UK chancellors of the exchequer has raised hopes that the new man, Mr Kenneth Clarke, might be inclined to take the political benefits of cutting domestic interest rates, some dealers were pointing yesterday to the relatively soft performance of sterling in recent sessions.

But, on the other side of the debate, there are widespread expectations in London that other continental European countries may cut rates in the near future.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	12,000	70½	+½
Abbey National†	1,600	410	-5
Albert Fisher	2,400	81	
Allied-Lyons†	1,500	526	-1
Anglian Water†	2,400	474	-6
Argos	736	306	-1
Argyll Group†	5,800	345	-4
Arjo Wiggins†	2,400	184½	+2
Ass. Brit. Foods†	206	470	
Ass. Brit. Ports	247	428	-4
BAA†	1,600	787	+4
BAT Inds.†	3,300	432	+2
BET	5,900	114	-1½
BICC	2,000	386	+5
BOC†	1,600	666	-7
BP†	7,600	308	+1½
BPB Inds.	196	281	
BT†	8,300	418	-3¼
BTR†	3,600	604½	-1½
Bank of Scotland†	7,700	139	-1½
Barclays†	6,200	461	-6
Bass†	2,200	465	-2
Blue Circle†	1,600	250	-6
Booker	392	373	
Boots†	2,900	444	-3
Bowater†	2,200	487	-3
Brit. Aerospace	2,500	370	+3
British Airways†	2,200	297½	-6½
British Gas†	7,000	289	
British Land	1,300	318	-7
British Steel†	10,000	102½	+3
Bunzl	327	139	
Burmah Castrol†	389	704	-4
Burton	2,800	63½	-½
Cable & Wire.†	3,000	753	+9
Cadbury Schweppes†	1,000	446	-3
Caird Group	346	227	-1
Carlton Comms.†	1,300	754	+13
Coats Viyella†	575	232	-1
Comm. Union†	808	576	+7
Cookson	124	262	
Courtaulds†	1,500	530	-4
Dalgety	425	426	-4

	Volume 000's	Closing Price	Day's change
De La Rue†	487	873	-2
Dixons	274	214	-6
Eastern Elect.	1,400	487	-5
East Midland Elec.	411	456	-4
Eng China Clays	112	415	-3
Enterprise Oil†	613	487	+3
Eurotunnel Units	40	423	
FKI	485	132	
Fisons†	3,600	159	-4
Foreign & Col. I.T.	422	226	+½
Forte†	3,200	200	+2
Gen. Accident†	412	571	+3
[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke†	1,700	183	+1
Land Securities†	2,200	575	-8
Laporte	167	617	-1
Legal & General†	417	461	-3
Lloyds Abbey	1,500	415	+1
Lloyds Bank†	2,600	547	-6
LASMO†	7,000	180	-6
London Elect.	889	490	-6
Lonrho	2,800	118½	+1½
Lucas	334	193	

	Volume 000's	Closing Price	Day's change
MB Caradon†	203	301	-1
MEPC	1,500	443	-5
MFI	28	131	-1
Manweb	18	520	-8
Marks & Spencer†	4,700	338	+2
Midlands Elect.	389	457	-4
Morrison (Wm.)	76	157	
NFC†	319	259	
NatWest Bank†	4,000	468	
National Power†	1,000	348	-4
Next	1,100	168	-1
North West Water†	1,000	476	-6
[illegible]	[illegible]	[illegible]	[illegible]
Saatchi	1,000	165	-2
Sainsbury†	2,000	489	-3
Scottish & New.†	151	444	-3
Scot. Hydro-Elect.†	768	355	-6
Scottish Power†	2,000	317	-5
Sears†	3,900	100	-1
Sedgwick	4,300	174	+4
Seeboard	235	306	-2
Severn Trent Water†	1,600	487	-6
Shell Transport†	4,700	605	-1

	Volume 000's	Closing Price	Day's change
Siebe†	1,700	470	-7
Slough Ests	2,200	212	-10
Smith (W.H.) A	1,300	432	+1
Smith & Nephew†	3,000	143¼	+3
SmKl Beecham†	3,000	461	-14
SmKl Beecham Uts†	1,700	406	-14
Smiths Inds.	813	341	+2
Southern Elect.†	1,000	470	-2
South Wales Elect.	72	845	-5
South West Water	1,000	480	-7
South West. Elect.	17	484	-4
Southern Water	1,000	485	-3
[illegible]	[illegible]	[illegible]	[illegible]
Welsh Water	900	550	-4
Wessex Water	699	[illegible]	[illegible]
Whitbread 'A'†	248	486	+1
Williams Hldgs.†	1,200	335	-2
Willis Corroon	610	192	-3
Wimpey	1,200	180	+4
Wolseley	391	651	+1
Yorkshire Elect.	28	515	-4
Yorkshire Water	1,200	506	-5
Zeneca†	5,200	626	-8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates		
*First Dealings: May 24	Jun 7	Jun 21
Option Declarations: Jun 3	Jun 17	Jul 1
Last Dealings: Jun 4	Jun 18	Jul 2
Account Day: Jun 14	Jun 28	Jul 12

*New time dealings may take place from 8.30am two business days earlier.

Airtours seen in bid move

STRONG rumours that Airtours, the UK's third biggest tour operator, is considering buying travel group Hogg Robinson sent shares in both companies sharply forward yesterday. Leisure analysts said they believed negotiations for an agreed offer had reached an advanced stage, although they declined to put a potential purchase price on such a deal.

Airtours has made no secret of its desire to make an aquisition in the travel agency market to consolidate last year's purchase of Pickford's. The move would also be a consolation for Airtours' failure earlier this year to capture Owners Abroad, the UK's second largest tour operator; this market assault left Airtours, the predator, with an estimated £50m war chest.

Leisure specialists said that Hogg Robinson, which has over 200 retail outlets, would be a good fit with Pickfords. Airtours paid £16m for Pickford's 333 branches. A spokesman for Airtours said: "We never comment on market rumours." Airtours shares gained 6½ to 301p, while Hogg Robinson added 4 to 190p.

DO It All doubts

Hints from Boots that it might be losing patience with its loss-making Do It All home improvement chain were reported by analysts after attending the company's post-results meeting yesterday. Do It All, owned as a joint venture with WH Smith, has been badly buffeted by the recession and has suffered from stiff competition from leading rivals, Texas and B&Q.

In January, Smith's share of losses from Do It All were £8.4m, leading some stores specialists to question the strategy of both groups making any further investment in the venture. Yesterday, Boots said its Do It All losses were £14.4m. One analyst commented: "We believe that if business does not improve within six months, Boots will decide to either sell or pull out." Otherwise, Boots results were largely in line with expectations and the shares slipped 3 to 444p.

Forte in demand

A change in stance on Forte by Kleinwort Benson, one of the market's leading brokers in the hotel sector, added support to the stock's recent strength as the broker turned buyer for the first time in two years. Kleinwort, which admitted the change but refused any other comment, is believed to have focused on recent management changes and the slow but gathering momentum in the hotel market.

Forte is thought to be on the verge of appointing a former Savoy executive to its management team in what observers say could be the opening shot in its effort to takeover the group. Under an agreement with Savoy, Forte is unable to make an offer until November 1994. Forte shares added 2 to 200p, while the tightly-traded Savoy was steady at 785p.

Telecoms active

Speculation that Wednesday's mould-breaking agreement between British Telecom and MCI of the US might lead to other giant cross-border deals prompted sharp rises in both Cable and Wireless and Vodafone. The fuel for the rumours were suggestions from industry commentators as to how such powerful international telecoms groups as AT&T might react to the threat of the potential global alliance posed by the BT/MCI tie-up.

However, London telecoms specialists were sceptical, arguing that the wide range of joint ventures and marketing agreement already existing between the industry leaders would complicate any similar moves.

In addition, not all press and market comment on the BT deal was positive, with the scale of the financing bringing the comment from one telecoms analyst that: "BT has got it all to prove now." BT shares fell 3¼ to 418p, C&W gained 9 to 753p aided by recommendations from Hoare Govett and Goldman Sachs, while Vodafone climbed 13 to 456p on good turnover of 9m.

A bout of profit-taking took the wind out of the sails of the major property stocks, which had surged on Wednesday follwoing the news of Mr George Soros' move into the sector. British Land, which will link up with Mr Soros, dropped 26 to 318 x-d, Land Securities 8 to 575p and MEPC 5 to 443p. The latter's results yesterday showed further confirmation of the slow turnaround in the property market. NatWest Securities raised its net asset value forecast from 400p to 450p for this year.

Investor attention turned instead to some of the second line property stocks, where Asda Property jumped 8 to 93p, and Chesterfield 10 to 370p.

In Banks, TSB put on 4 to 189p, with Strauss Turnbull said to have been shopping for stock.

Shares in Sidlaw Group, the oil services, packaging and textiles company, jumped 20 to 350, after announcing that it had received a letter of intent from Amoco for a 10-year contract to provide logistics support in the North Sea.

Elsewhere in the sector, BP retreated in early trading on certainty regarding the implications of the collision of one of its tankers with a cargo ship off the Belgian coast. However, as the stock market rallied later, the shares recovered and closed 2 ahead at 308p, after trade of 7.6m.

Norcros closed 3 down at 165p, after surprising the market with a 2-for-7 rights issue to raise £49.7m. Profits were down from £15.6m to £11.5m, although the dividend was maintained. Bumper profits at Rowe Evans sent the shares climbing 12 to 58p.

The threat of a 24-hour strike at British Airways today overshadowed an announcement of a 7.8 per cent year-on-year increase in May passenger traffic figures. The shares gave up 6½ to 297½p, in trade of 2.2m. The good passenger traffic figures were appreciated at BAA where the shares closed 4 ahead at 787p.

The positive mood in the property sector and continuing recovery in the housing market continued to boost P&O and the shares gained another 8 to 616p. Volume was 1.3m.

Shipbuilding and submarine group VSEL Consortium raced 26 ahead to 795p, after it reported full year figures ahead of market expectations. Profits jumped 16 per cent to £55.6m and the company also increased the dividend. Charterhouse Tilney predicted profits for the year to March 1994 would come in at £63m.

Profit-taking and a more cautious outlook following Wednesday's figures saw Vosper Thornycroft ease 7 to 588p.

Shares in motor components group T & N closed 7 ahead at 184p, after strong demand which followed a successful placing of its shares at 170p, to raise £36.9m. Sentiment was further enhanced by a positive recommendation from Strauss Turnbull for motor component stocks.

British Aerospace shares put on another 3 to 370p.

Cautious press comment after Wednesday's results put the skids under Siebe. The shares closed 7 lower at 477p, having been lower earlier in the day. A cautious annual meeting at Glynwed International left the shares 2 lighter at 289p.

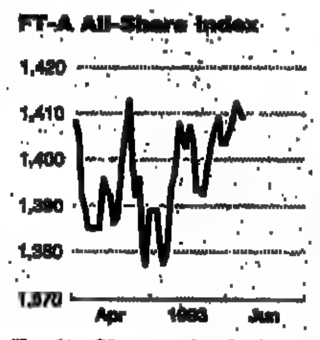
Plans to increase prices on some of its products together with a recommendation from SG Warburg sent British Steel through the 100p barrier to close 3 ahead at 102½p, in trade of 10m shares. ASW rose on the same sentiment and finished 5 ahead at 220p.

Zeneca, the recently demerged bioscience arm of ICI, announced that three investment institutions had, in accordance with Stock Exchange rules, notified it of shareholdings. Zeneca shares continued weak, on the general uncertainty overhanging the sector, closing 8 adrift at 626p. ICI rose 18½ to 887p.

MARKET REPORTERS: Christopher Price, Joel Kibazo.

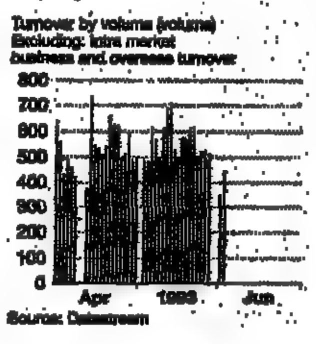
■ Other statistics, Page 26.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra market business and overseas turnover



Source: Datastream

FINANCIAL TIMES EQUITY INDICES

	June 3	June 2	June 1	May 28	May 27	Year ago	*High	*Low
Ordinary share	2225.4	2230.2	2211.7	2205.0	2213.7	2092.6	2299.5	2124.7
Ord. div. yield	4.14	4.13	4.17	4.24	4.21	4.42	4.52	4.07
Earning yld % full	5.27	5.25	5.31	5.15	5.11	5.47	6.36	5.28
P/E ratio net	23.95	24.00	23.77	19.80	20.02	18.34	24.00	19.40
P/E ratio nil	22.34	22.38	22.17	18.65	18.76	17.04	22.38	18.14
Gold Mines	187.4	182.5	200.6	188.4	197.1	107.3	202.7	90.0

*for 1993. Ordinary share index since compilation: high 2299.5 [illegible] - low 49.4 26/6/40. Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71. Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2228.6	2224.1	2223.3	2222.3	2224.4	2228.3	2228.5	2229.1	2227.8	2230.0	2218.7

Volume	June 3	June 2	June 1	May 28	May 27	Year ago
SEAQ Bargains	29,283	29,217	26,899	28,648	27,255	21,177
Equity Turnover(£m)†	-	1166.6	841.0	1112.5	1385.0	1078.1
Equity Bargains†	-	33,838	32,497	34,386	31,880	24,265
Shares traded (ml)†	-	450.9	355.2	523.4	586.8	447.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2852.8 -10.2	3183.6 -7.8	1409.32 -4.23

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (167). [illegible]

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES markets suffered a nervous and finally unsuccessful session yesterday, although trading volume was below normal levels, writes Terry Byland. In futures, the June contract on the FT-SE Index ranged between a healthy premium and a small discount against estimated fair value.

During the early part of the session when the June contract reached a premium of around 12 points, there was some arbitraging between futures and cash. But this quickly disappeared as the contract dipped to a 4 point discount.

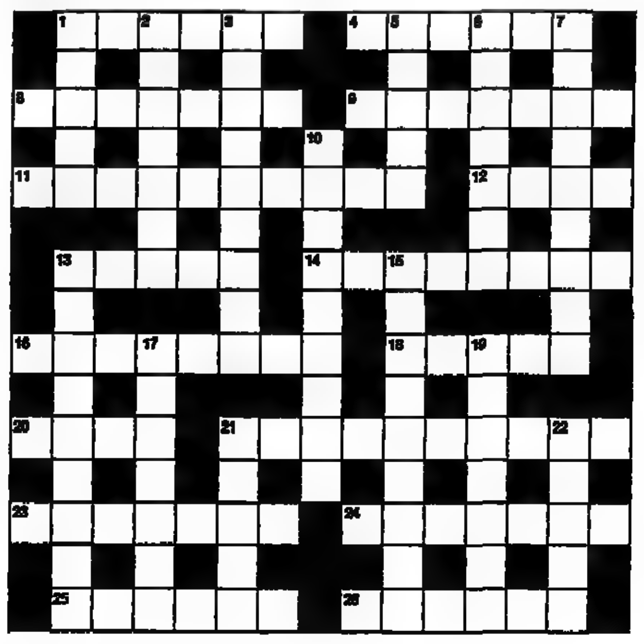
The big institutions played little part in futures dealing, however, and the market trend was determined by two way activity by the locals, or independent traders. The absence of any interest rate change by the Bundesbank discouraged futures speculators at mid-session.

In traded options, volume totaled 24,467 contracts with the FT-SE option contract taking up a major share with 13,778 contracts, nearly double the total for the previous day. Individual contracts were featured by the Euro-FTSE contract, where 2,659 traded, with Marks & Spencer heading the corporate list with 2,070 contracts.

There was activity in bank share options as some positions taken up on Wednesday were reversed. NatWest options traded 1,810 contracts and Barclays 1,680.

CROSSWORD

No.8,167 Set by VIXEN

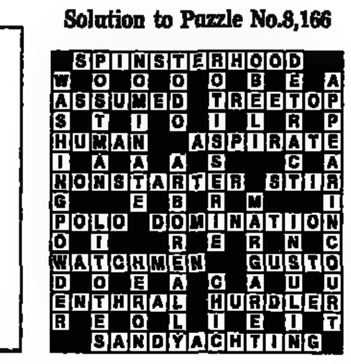


ACROSS
1 Put down for PE, does work-out (6)
4 Plan to make a comeback through humour (6)
8 One section of the armed forces supports such weapons (7)
9 Firm, and right, right, right! (7)
11 Men get real amusement from this (10)
12 Talk about the queen's clothes (4)
13 Novice aware of environmental responsibility (5)
14 Jogger – note the bodyguard following (8)
16 French article about a certain issue making no sense (8)
18 Great get-together of soldier and social worker (5)
20 Maid Marian's song (4)
21 Firm, and a point, writes in the journal "Pharmacy" (10)
23 The way a talking bird shows resilience (7)
24 Retort with wit – or spite possibly (7)
25 Broke, so discouraged (6)
26 The geneticist people led astray (6)

DOWN
1 Duck when a well-known sailor appears! (5)
2 Independent serving man? (7)
3 Reform estranges people of rank (9)
5 After a party exercise is' appropriate (5)
6 Model from quiet part of Spain (7)
7 Having to do with the electricity supply being intermittent (9)
10 "Much study is a — of the flesh" (Ecclesiastes) (9)
13 Great need may be brought about (9)
15 Make a drawer (9)
17 Age raised problems for a scholarly man (7)
19 Fly, though Jack's not in agreement, the dunderhead (7)
21 Many an engineer is made to hop about (5)
22 An animal that's exceptionally alert (5)

JOTTER PAD

Solution to Puzzle No.8,166



AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¾xd	+¼	20⅞	15[illegible]	14,[illegible]	2.4
Allegheny & W	♥	617p	+24	617p	3[illegible]p	32[illegible]	3.1
Amdahl		5[illegible]p	+[illegible]	[illegible]p	302½p	400.[illegible]	0.9
Amer Cyanamid		34	+⅝	38⅝	31¼	3,0[illegible]	3.1
Amer Express		18⅞xd	+⅛	19½	14⅞	6,672	3.4
Amer T & T		40¼xd	+⅛	40⅝	33⅛	53,[illegible]	2.1
Ameritech		47½	–⅛	52¼	46	28,797	4.9
BankAmerica		29¾xd	+⅞	38⅛	27[illegible]	10,082	3.1
Bankers NY		47xd	+½	51⅛	42⅝	3,772	4.2
Bell Atlantic		35½	+⅛	38⅝	22¼	13,422	4.7
BellSouth		34⅝	+⅛	39⅞	32⅞	16,861	6.1
Bethlehem Steel	♥	12⅛xd	+⅛	13¾	10	1,137	–
Bowater		1428pxd	–8	1662p	1335p	517.8	1.8
CPC		27⅛xd	–⅞	34⅝	25	4,212	2.9
Cadiz Land Inc	♥	118p	–7	134p	53p	–	–
California Engy		1358p		1478p	1086p	247.2	–
Chase Manhattan		19⅞xd	–⅛	24½	17⅞	3,102	3.8
Chrysler		29⅛xd	+⅛	29⅞	21¼	8,620	1.3
Citicorp		18⅝xd		20⅞	13⅞	6,717	–
Colgate-Palm		39[illegible]xd	+[illegible]	45⅝	35¼	4,087	2.1
Cont'l Bank		1[illegible]p	–8	1877p	1278p	1,575	2.4
Dana		34½xd	+⅛	34⅞	28[illegible]	1,884	2.8
Data General		718p	–64	951p	593p	187.3	–
Decora Inds	♥	125p	–4	148p	108p	–	–
Dun & Brad		39	+⅛	42⅝	37⅛	8,861	4.0
Eaton		57⅝	–⅛	58⅝	50⅝	1,987	2.4
Echlin		17½xd	+⅛	18⅝	15⅛	1,003	2.5
FPL		24½xd	+⅛	27⅝	23¼	4,451	6.4
Ford Motor		34⅛xd	+⅛	36⅛	28⅛	18,778	1.8
Gen Elect		61xd	+⅛	62⅛	53⅝	52,098	2.6
General Host	♥	577p	–7	723p	486p	–	3.9
Gillette		33⅞xd	+⅛	42⅝	31½	7,394	1.6
Hasbro		28⅝		20⅝	20⅞	1,819	0.7
Honeywell		24[illegible]xd	+⅛	24[illegible]	20[illegible]	3,374	2.3
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]							

BANKS

[illegible]							

BREWERS & DISTILLERS

[illegible]							

BUILDING MATERIALS

[illegible]							

BUILDING MATERIALS - Cont.

[illegible]							

BUSINESS SERVICES

[illegible]							

CHEMICALS

[illegible]							

CONGLOMERATES

[illegible]							

CONTRACTING & CONSTRUCTION

[illegible]							

ELECTRICALS

[illegible]							

ELECTRICITY

[illegible]							

ELECTRONICS

[illegible]							

ENGINEERING-AEROSPACE

[illegible]							

ENGINEERING-GENERAL

[illegible]							

ENGINEERING-GENERAL - Cont.

[illegible]							

FOOD MANUFACTURING

[illegible]							

FOOD RETAILING

[illegible]							

HEALTH & HOUSEHOLD

[illegible]							

HOTELS & LEISURE

[illegible]							

HOTELS & LEISURE - Cont.

[illegible]							

INSURANCE BROKERS

[illegible]							

INSURANCE COMPOSITE

[illegible]							

INSURANCE LIFE

[illegible]							

INVESTMENT TRUSTS

[illegible]							

INVESTMENT TRUSTS - Cont.

[illegible]							

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	‡†□	198	—	201	183	2.9	207.5	16.6
Warrants	□	45½	—	49	39	—	—	—
Scot Mortgage	‡□	191xd	-1½	201	176	2.9	224.0	14.8
Scot National Inc	‡K□	85xd	—	89½	63	11.0	—	—
Cap	□	25	—	28	18	—	58.8	57.3
Stepped Pf		151¾	—	155¼	150¾	9.6	—	—
Zero Div Pf		210	+½	212	207	—	—	—
Warrants		3½	—	5	3	—	—	—
Scot Value	†a□	80½xd	+½	80½	71	2.8	80.4	0.2
Sec Alliance	‡†	1440	—	1600	1390	3.2	1616.5	10.9
Second Consld	□	135	+2	135	88	—	202.9	33.7
Second Market	‡A	320	—	328	256	0.8	354.5	9.9
Sec Tst Scot	‡□	83	+½	84½	74½	4.9	83.6	0.8
Select Assets	□	121	—	130	108½	1.2	169.5	28.6
Eq Ind Sert		131	—	134	128	4.1	—	—
Eq Ind Sert		137	—	134	128	4.1	—	—
SHIRESCOT	‡H	127xd	—	127	104	8.2	124.5	-2.0
Shires	‡H	260	—	282	231	6.3	250.1	-4.0
11pc Cv Ln '03/04		£127½	—	£131½	£116½	8.8	—	—
Slam Select		127	—	138	97	0.2	135.4	6.2
Warrants		34	—	35	15	—	—	—
Smaller Cos	□	118xd	—	118	78	2.8	118.0	0.4
Warrants		38xd	—	37	14	—	—	—
Sphere Inc	□	21½	—	21½	14	18.8	34.2	37.1
Zero Div Pf		80¾	—	87¼	80¾	—	—	—
Sumit		60	—	60	38	3.0	94.1	37.3
TR City of Lon	□	135½	—	140¼	128	4.4	131.5	-3.0
TR Euro Growth	‡□	103	—	109	76	1.8	116.0	11.2

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time at which the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (*) - 0001 to 1100 hours; (‡) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	5	259.9	259.9	272.8	+3.6	0.73
S & W Capital	5	117.7	117.7	128.2	+0.5	1.69
S & W Cash	0	100.91	100.91	100.91	+0.01	5.25
S & W European	5	112.4	112.4	118.9	+0.8	1.31
S & W Far Eastern	5	147.4	149.0	157.8	+1.5	0.00
S & W Growth	5	126.8	128.3	135.8	+1.1	1.25
S & W Income	5	112.4	113.8	120.2	+0.8	4.80
S & W Magnum	5	124.2	124.2	133.2	+0.9	1.59
S & W Smllr Secs	5	316.3	321.1	341.8	+0.8	0.45
S & W Thoroughbred	5	143.5	143.5	154.1	+1.1	1.40

For Societe Generale Touche Remnant see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.72	49.72	50.22	+0.01	3.3
Cnlnlg Primenes	5½	55.63	55.98	59.69	+0.07	7.9
Ethical	5½	52.44	53.40	56.80	-0.13	3.9
European Growth	5½	56.36	56.73	60.51	+0.22	3.1
Income	5½	51.81	52.07	55.54	-0.05	0.7
Intl Growth	5½	70.17	70.70	83.94	+0.37	3.0
Managed	5½	69.29	70.05	74.71	+0.09	3.6
UK Growth	5½	55.77	56.36	60.11	-0.13	4.5

Standard Life Tst Mngmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	5¼	43.87	43.67	46.49	+0.3	1.71
UK Equity Gth Acc	5¼	58.08	59.16	62.88	+0.5	1.78
UK Eq High Inc Inc	5¼	34.59	34.59	36.76	+0.4	3.99
UK Eq High Inc Acc	5¼	41.07	41.07	43.64	+0.6	3.96
UK Equity Gen Acc	5¼	53.97	54.68	58.08	+0.4	2.29
UK Equity Gen Inc	5¼	40.89	41.34	43.93	+0.3	2.29
UK Larger Cos Acc	F 7½	366.8	371.7	403.4	+2.4	3.84
UK Larger Cos Inc	F 7½	281.7	285.9	309.9	+1.9	3.84
Gilt & Fxd Int Inc	5¼	29.69	29.77	31.46	+0.2	8.75
O'seas Lrg Cos Acc	F 7½	272.2	278.9	300.5	+2.8	1.48
Nth American Acc	5¼	42.14	42.40	45.05	+0.3	0.74
Far East Acc	5¼	56.60	55.80	59.08	+0.9	0.11
European Acc	5¼	40.63	40.63	43.17	+0.3	1.25

State Street Unit Trust Mngmt Ltd (1400)F
20 Birchin Lane, London EC3V 9AD 071-626 1500

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£814.32	833.75	+3.84	1.59
Gen Exempt	£152.97	156.17	+0.76	3.63
Jap Exempt	£597.73	618.51	+4.20	0.84
Pacific Exempt	£165.79	169.59	+1.98	1.57
Contl Euro Exempt	£117.83	120.22	+0.73	2.54

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Acc May 25	182.6	190.3	+0.7	3.58
Balanced Inc May 25	181.3	188.8	+0.7	3.58
Latin American Acc May 25	97.15	99.40	+0.4	1.88

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital May 14	383.65	547.98	—	3.7
Gross May 14	708.34	211.03	—	9.95
High Yield May 14	334.70	337.35	—	7.71

* Restricted to persons under Court control

Govett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt	108.60	113.10	+0.06	3.33

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	61.47	62.72	-0.09	2.07
Henderson TR				
Ex European	1309	1358	-1	2.04
Ex Nth American	1361	1414	-5	1.54
Ex Pacific Basin	958	977	-3	1.49
Ex Smaller Cos Inc	1908	2055	+3	4.31
Ex Smaller Cos Acc	2045	2176	+3	4.38

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Asia & Australasia	£3.0830	3.1680	—	—
Far Eastern	£2.1930	2.2270	—	—
Intl Mngd P'folio (1600-1)	£1.5030	1.5900	—	—
Mngd Pens (Acc)	£0.8437	0.8184	—	—
North American	£2.4976	2.9210	—	—
Smaller Companies	£1.4290	1.4840	—	—
UK Cap	£1.0880	1.8220	—	—

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Mar 4	£1900.0	2100.0	—	7.60
Inc Gth Pnp Feb 3	£1280.8	1400.0	—	6.36

Lazard Investors Ltd ‡

INSURANCES

OTHER UK UNIT TRUSTS

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

هكذا من الأصل

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Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd (1400)F

Standard Bank Fund Mngmt (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Bank Von Ernst & Cie AG - Contd.

Banque Scandinave a Luxembourg SA

Barclays Diversified Portfolio

Barclays Inv Funds (Luxembourg)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark shows more weakness

THE D-MARK continued to show signs of weakness inside the European exchange rate mechanism yesterday as the peseta recovered in the run-up to the Spanish general election, *writes James Blitz.*

Last week's run on the Spanish currency was partly triggered by speculation that Mr Felipe Gonzalez, the country's prime minister, would lose this Sunday's general election.

But following his strong performance on television earlier this week, some Spanish opinion polls are now putting Mr Gonzalez neck-and-neck with Mr Jose Maria Aznar, the main opposition leader.

Dealers believe Mr Gonzalez retains a strong commitment to Spain's ERM membership and the peseta yesterday rallied to a London close of Pta77.89 against the D-Mark from a previous close of Pta78.24. In the ERM grid, it jumped one place – to close in second place below the Portuguese escudo.

Mr Jeremy Hawkins, economic policy adviser at Bank of America in London, believes that the peseta's strength in recent days has been the source of more D-Mark weakness. "If the peseta can hold on to these levels, then tensions in the ERM might die down altogether," he said.

The Italian lira was one beneficiary of yesterday's weakness in the German currency, closing at L912.0 from a previous L913.9. The French franc consolidated its strong run against the German currency this week, closing unchanged at FFr3.365.

The Swedish krone was also stronger, despite comments from the Swedish bank governor that the currency was likely to float for some time to come. The krone was trading last night at around SKr4.4955 to the D-Mark from around SKr4.5130 at the start of the European day.

Once again, sterling was one of the currencies not to benefit much from all-round D-Mark weakness, although, for the first time since Mr Kenneth Clarke was appointed chancellor the currency did not depreciate on the day. The pound remains undermined by speculation in money markets that Mr Clarke will introduce another cut in UK base rates, and closed at DM2.4650, up ¼ pfennig on the day.

The dollar was also fairly unmoved against the German currency, remaining range-bound between DM1.5970 and DM1.6030. It later closed in London at DM1.6005.

One reason for the limited position taking in the dollar was that dealers were awaiting today's non-farm payroll figure for May, which is expected to show a net monthly rise in the headline figure of 130,000.

However, some suggested yesterday that even more importance is now being attached to the producer prices and consumer prices figures in the US which are not due out until later this month. If these figures show unexpected rises in inflation, the Federal Reserve could tighten monetary policy.

£ IN NEW YORK

June 3	Latest	Previous Close
£ Spot	1.5400 - 1.5410	1.5405 - 1.5415
1 month	0.35 - 0.34pm	0.38 - 0.37pm
3 months	1.01 - 0.99pm	1.04 - 1.02pm
12 months	3.20 - 3.12pm	3.27 - 3.17pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 3	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	187.414	-2.82	3.56	47
Spanish Peseta	154.250	152.400	-1.20	1.89	21
Irish Punt	0.808628	0.800044	-1.06	1.[illegible]	48
Dutch Guilder	2.19672	2.18882	-0.36	0.94	18
Belgian Franc	40.2123	40.0970	-0.29	0.87	14
D-Mark	1.94964	1.95073	0.08	0.52	-3
Danish Krone	7.43679	7.46752	0.41	0.16	-13
French Franc	6.53883	6.57663	0.58	0.00	-32

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr. per 100. Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls July	Calls September	Calls December	Puts July	Puts September	Puts December
115	-	1.87	-	0.06	0.35	-
116	0.75	1.16	1.37	0.20	0.66	-
117	0.23	0.66	0.88	0.69	-	-
118	0.04	0.32	0.58	-	1.76	-
119	-	0.13	-	-	-	-
Open int.	6,921	118,092	31,967	17,421	108,351	18,278

Estimated volume 26,356 † Total Open Interest 325,725
† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

French rates fall

THREE month interest rates in France again dipped below those in Germany after the French franc consolidated its strength in the European exchange rate mechanism and the Bundesbank left interest rate policy unchanged, *writes James Blitz.*

The Bundesbank decided not to change either its Lombard or discount rates at its council meeting yesterday, but that outcome had been widely predicted by the market.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Members of the German central bank's ruling council have expressed concern in the last week about the potential weakness of the D-Mark, the rise in German money supply and the increase in German bond yields.

Euromark futures were therefore more-or-less unchanged on the day. The June contract closed unchanged day at 92.49 while the September contract closed 3 basis points higher at 36.30.

In the German cash market, call money was slightly softer at 7.80 per cent, from 8.00 per cent earlier in the week. This was mostly due to a greater supply of liquidity to the market and the more relaxed nature of dealing at the start of the month. Three month money was roughly unchanged at 7.55 per cent.

By contrast, French cash rates dropped sharply as the franc enjoyed a new bout of strength against the D-Mark on the foreign exchanges.

Three month French francs fell back to 7.40 per cent from a previous close of 7.60 per cent on the bid side, pushing them below the German level. The September futures contract closed up 14 basis points on the day at 93.20, narrowing the spread between September Pibor and Euromark futures to 10 basis points.

Speculation of another base rate cut continued to linger in sterling markets. In the discount market, dealers were wary of offering bills outright to the Bank of England for fear of losing any capital gain if monetary policy is eased.

However, difficulties removing the £1.5bn shortage forecast by the Bank pushed the overnight rate up to 9 per cent yesterday, with late assistance of £465m. Three-month money closed ⅛ per cent firmer at 5$\frac{15}{32}$ per cent.

Sterling futures contracts were more-or-less unchanged on the day, but still reflected some bullishness about prospective rate cuts. The September contract closed down 1 basis point at 94.28.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close June 3

MONTREAL

INDICES

NEW YORK DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

TOKYO - Most Active Stocks

Thursday, June 3, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	19.9m	811	+11	Mitsubishi Hvy	8.0m	727	+11
NEC Corp	14.9m	1,080		Sumitomo Mt Ind	7.8m	361	+4
Toshiba	11.0m	755	+20	Mitsubishi Motor	6.3m	838	+45
Hitachi	9.8m	888	+26	Nippon Steel	5.7m	406	+6
Ricoh	8.5m	801	+14	Sharp Corp	5.0m	1,340	+20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close June 3

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.4	25	677	14⅛	13⅞	14	
29⅜	20	A L Labs A	0.18	0.6	49	811	28⅝	27¾	28	-1
63½	54⅝	AMP Inc	1.60	2.6	21	2200	61½	60¾	61	-½
72¾	55½	AMR			11	3654	71⅞	70¾	71⅛	-¾
2¼	1⅜	ARX			13	20	2⅛	2	2⅛	
51½	29⅞	ASA	2.00	4.1	32	967	49½	49⅛	49⅛	+⅝
30¾	22⅝	Abbott Lab	0.68	2.5	17	6244	27½	26⅞	27	-⅜
12⅝	10¼	Abitibi Pr	0.50	4.3	4	21	11¾	11⅝	11¾	
11¾	10¾	ACM Gvt In	0.96	8.2		154	u11¾	11⅝	11¾	+⅛
9⅞	9⅛	ACM GvOpp	0.80	8.1		103	u10	9¾	9⅞	
9⅝	8¾	ACM Gvt Sp	0.80	8.4		414	9½	9⅜	9½	+⅛
11⅜	10½	ACM Gvt Se	0.96	8.7		239	11⅛	11	11	
11	9⅝	ACM Man	1.08	9.9		76	10⅞	10¾	10⅞	
9⅜	8⅝	ACM Managd	0.72	8.0		39	9⅛	9	9	-⅛
11	7¾	Acme Cleve	0.40	3.7	14	190	u11	10⅞	10⅞	-⅛
9¼	6½	Acme Elect			262	68	7⅞	7⅝	7⅞	
16	10⅞	Acuson			12	2095	11¼	d10⅝	10⅞	-⅛
22⅛	19⅝	Adams Expr	0.48	2.2	1	69	21½	21¼	21½	+⅛
66	45½	Ad Micro	3.00	5.1		52	59¼	57⅞	58¼	+1¾
32¾	17⅝	Ad Micro P	3.00	10.5	12	7179	28⅝	27¾	28½	+⅞
7¾	5½	Advest Grp	0.16	2.6	10	69	6¼	6	6¼	+⅛
24¾	20¼	Advo Inc	0.06	0.3	21	284	20⅝	d20	20	-¾
49⅜	41⅛	Aegon ADR	2.95	6.3	9	51	46½	46⅜	46½	
55⅞	43⅞	Aetna Lf	2.76	5.0	140	2204	55¼	54⅞	54⅞	-⅞
14½	11½	Affil A	0.26	2.0	30	881	13⅜	13	13¼	+⅛
40¼	33	Aflac	0.50	1.3	17	1585	38⅞	38½	38¾	-½
22⅛	16¾	Ahmanson	0.88	4.8	21	805	18⅝	18¼	18⅜	+⅛
7⅜	4⅝	Aileen Inc			7	74	5¼	5⅛	5⅛	
48½	40⅜	Air Pr Chm	0.86	2.0	17	1413	43⅜	43	43⅛	-⅜
26½	18⅛	Airbne Frt	0.30	1.2	100	554	25⅝	25	25⅛	-⅝
31½	18¼	Airgas Inc			37	195	30½	30⅛	30⅜	
14½	10½	Airlease	1.60	11.1	11	10	14⅜	14⅛	14⅜	+⅛
105	101	AlaPw8.16 x	8.16	8.0		z50	102	102	102	
106½	102½	Alab 8.28C x	8.28	7.9		4	u105½	104¼	104¼	

Continued on next page

4 pm close June 3

NYSE COMPOSITE PRICES

Continued from previous page

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4 pm close June 3

NASDAQ NATIONAL MARKET

[illegible]

AMEX COMPOSITE PRICES

4 pm close June 3

[illegible]

FINANCIAL TIMES Friday June 4 1993

AMERICA

Equities fall in wake of rising gold prices

Wall Street

US stocks fell in subdued trading yesterday in the wake of a rally in gold prices and some disappointing news on the jobs market, *writes Patrick Harverson in New York.*

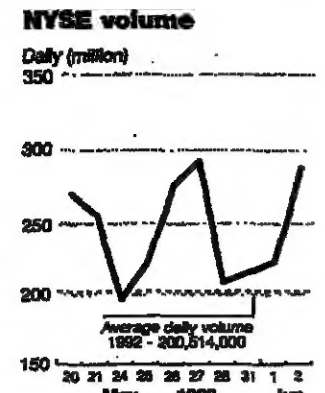
At 1 pm the Dow Jones Industrial Average was down 18.82 at 3,534.63. The more broadly based Standard & Poor's 500 was 2.47 lower at 451.38, while the Amex composite was up 0.06 at 440.03, and the Nasdaq composite down 2.01 at 703.85. Trading volume on the NYSE was 169m shares by 1 pm.

Rising gold prices took their toll of equities right from the opening. The price of August gold contracts jumped $5 to $375.90, *an indication that* some investors continue to fear a revival in inflation.

Concern about the employ*ment situation also hurt stocks* after the Labor department reported that the number of people claiming state unemployment insurance rose by 5,000 last week, to 344,000. The figures indicate that today's May employment report could reveal that the labour market remains depressed, in spite of the growing economy. Wall Street analysts are predicting that today's report will show a rise of about 50,000 in non-farm payrolls, and national unemployment still stuck at 7 per cent.

One of the more eye-catching

NYSE volume



of new issues in recent months – the sale by Sears, Roebuck of 20 per cent of its stake in Allstate, the insurance company – was in strong demand. In the largest ever initial public offering by a US company, 78.5m shares in AllState were floated at $27 a share on Wednesday night. By early afternoon yesterday, the stock was trading at $29¼ in volume of 22m shares.

Federal Express fell $3⅝ to $46½ after the broking house, Donaldson Lufkin Jenrette, lowered its rating from "buy" to "moderately attractive" in the wake of recent managerial resignations.

Computer stocks were mixed. While Hewlett-Packard gained $1⅝ to $87¼ and Compaq put on $1⅛ at $61¼, Digital *Equipment fell $⅝ to $43¾* and Tandem Computer slipped $⅝ to $12⅞.

Both Digital and Tandem were *hit* by ratings downgrades by the securities house, Salomon Brothers.

Fieldcrest Cannon climbed $1¼ to $28⅝ on the news *that it* is selling its carpet and rug operations to Mohawk Industries in a deal valued at $140m.

Canada

TORONTO edged higher at *midday* as climbing precious metal and oil and gas shares balanced out weak financial services and consumer products.

The TSE-300 composite index was 3.09 higher at 3,882.91 in turnover of 36.9m shares valued at C$350.75m.

Consumer products fell 99.37, or 1.6 per cent to 6,162.94 as the heavily weighted Seagram dropped another C$1⅛ to C$33⅞, *following* Wednesday's weakness on its decision to acquire 15 per cent of Time-Warner.

EUROPE

Sweden strengthens on Procordia split

BOURSES showed a tendency towards improvement in the afternoon, in spite of Wall Street's early declines, *writes Our Markets Staff.*

STOCKHOLM was boosted by the announcement that Procordia's pharmaceutical and consumer products divisions were to be split, with Volvo taking a controlling stake in the latter, to be called Branded Consumer Products. The government also said that after the demerger it would sell its stake in Procordia.

The shares responded with Volvo B's *rising SKr16 or* 4 per cent to SKr406 and Procordia B's by SKr29 or 17.6 per cent to SKr193.

The news lifted the market overall, with the Affärsvärlden general index putting on 22.40 or 2.1 per cent to 1,091.30 as *turnover rose to SKr1.03bn.*

Most analysts were satisfied with the announcement, noting that Volvo's cash flow would be improved through BCP. However, some noted that given the downturn in the European consumer products sector the group's recovery growth might be "dulled".

FRANKFURT moved from early *disappointment with German* GDP figures to a small rise on short covering at the end of the official session, after the Bundesbank left *interest* rates unchanged. The DAX index closed 4.41 higher at 1,629.62, turnover rising from DM3.7bn to DM4.3bn.

Volkswagen, up DM2.50 to DM319.50, put on another DM3 in the post bourse after the AGM was told the company could break even this year after a first half loss. The rise *was obscured as the shares* went ex a DM2 dividend and its associated tax credit for domestic shareholders.

*Viag, the energy-based con*glomerate, climbed DM6.80 to DM350.80 for a two-day gain of DM11.30, dealers saying that *the appointment of a new* Bavarian prime minister had enhanced Viag's chances of a merger with Bayernwerk, one of Germany's leading power utilities, currently owned 60 per cent by the state of Bavaria, and 39 per cent by Viag.

AMSTERDAM concentrated on KLM which released fiscal 1993 results much in line with analysts' forecasts. Encouraged by the figures, the shares moved up 6 per cent, before easing slightly to Fl 26.30, a gain on the day of 90 cents, or *3.5 per cent.* Mr Richard Brakenhoff, transport analyst at Pierson, Heldring & Pierson in Amsterdam, commented that *the airline* remained under pressure, particularly in light of its large debt burden.

The CBS Tendency index put on 0.1 to 104.7.

PARIS suffered technical problems which suspended trading for a couple of hours in the afternoon. As a result turnover was low at FFr1.6bn as the CAC-40 index fell 7.92 to 1,867.92.

Both Peugeot and Michelin fell to new year lows following negative news this week on prospects for European car sales. Peugeot lost FFr15 to FFr515 and Michelin FFr6.80 to FFr134.20.

MILAN settled back with many investors preferring to stay on the sidelines ahead of this weekend's local elections. The Comit index closed off 3.61 at 538.19.

Fiat remained active following the publication of unexciting results on Monday. The shares lost L161 to L5,649 and hit L5,580 on the kerb.

ZURICH closed on its end-May highs, strong financials and chemicals taking the SMI index up 9.7 to 2,288.9. Insurers continued to narrow the differentials with banks, Winterthur bearers adding SFr70 francs to SFr3,270, Swiss Re SFr30 to SFr3,110 and Zurich SFr50 to SFr2,290.

Roche and Sandoz led chemicals, but other industrials put in the big share price rises. Bearers in Ascom, the telecoms group, extended their recovery from a strong fall some weeks ago, rising SFr75 to SFr1,265.

WARSAW tumbled, *writes Christopher Bobinski.* Poland's emerging equity market, which has seen share prices rise by 175 per cent since Easter, fell by 9.6 per cent yesterday.

All 18 stocks quoted on the exchange dropped, all but one of them down by 10 per cent, the maximum in any one session. This brought the WIG indicator down from 3,710 on Tuesday, when it indicated some uncertainty with a 2 per cent decline, to 3,354. Turnover was still high at 371.9bn zloty.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

June 3 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1157.64	1157.05	1157.98	1157.94	1158.44	1159.00	1160.55	1160.81
FT-SE Eurotrack 200	1215.30	1213.55	1215.96	1216.06	1215.81	1216.06	1217.44	1217.28

	Jun 2	June 1	May 28	May 27	May 26
FT-SE Eurotrack 100	1155.78	1153.22	1161.58	1165.01	1162.51
FT-SE Eurotrack 200	1215.58	1215.43	1224.85	1231.31	1226.76

Base value 1000 (26/10/90) High/day: 100 - 1161.55; 200 - 1218.13 Low/day: 100 - 1155.84 200 - 1213.55.

Major and minor bands in NZ equities

Performance contrasts good economic news with a cautious market, says Terry Hall

Caution is the overriding sentiment on the New Zealand stock market, five months away from an unpredictable election outcome. Major shares are determinedly stuck in a narrow trading band in spite of a solid flow of good economic and positive business news.

The NZSE-40 capital index broke up briefly through the 1,650 mark last Friday, set a 32-month high and promptly *retreated. It recovered yester*day to 1,649 but its all-time record of 3,850, set in 1987, remains a distant memory.

This lacklustre performance is at odds with economic news. Yet it is backed by the latest business surveys: the Lloyds Bank subsidiary, the National Bank of New Zealand, said in its latest survey that business confidence had fallen for the fourth month in a row, and was down 27 per cent from its February high.

The bank's chief economist, Mr Girol Karacaoglu, said that it was difficult to say why confidence was falling, although uncertainties about interest rates, the general election and the electoral referendum on changing the Westminster style, first-past-the-post voting *system might be factors.*

Mr Peter Shirtcliffe, chairman of New Zealand's biggest company, Telecom Corporation, is leading a high-profile campaign to persuade people to stay with the present voting system. Uncertainties over the *emergence of a powerful third* party, which could hold the balance of power in November, is unsettling the business community further.

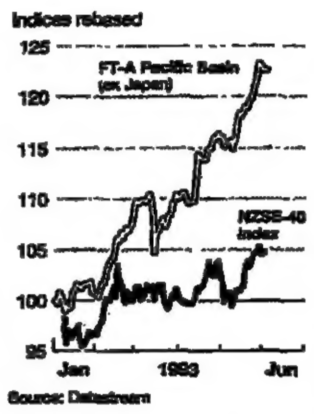
Interest rates remain stubbornly high. The exchange rate, which has appreciated *steadily since the Reserve* Bank intervened to support it in January, worries exporters.

However, positives abound. New Zealand's finance minister, Ms Ruth Richardson, announced on Tuesday night that the budget deficit would be NZ$700m less than predicted last year.

Other figures show an improving New Zealand debt position, substantial surpluses on external trade and the balance of payments and inflation at one per cent – among the lowest in the world.

Labour costs are down sharply due to the government's tough anti-union legislation. Gross domestic product figures are encouraging. Against this, unemployment remains stubbornly high.

Overseas investors, notably from the US, have been making the bulk of the running in equities this year. In recent weeks they have stepped up their buying of Brierley Investments, buying 120m shares in a month. It is estimated that 40



Source: Datastream

per cent of the stock is now held offshore. American investors have also been buying shares aggressively in Fletcher Challenge, following recommendations by US brokers, and in Carter Holt Harvey, the forestry company.

Telecom Corporation, controlled by Bell Atlantic and Ameritech, has been another favourite since it announced a further restructuring which will cost 5,500 jobs by 1995. All these shares have shown strong gains so far this year, although they have been marking time in recent trading.

Any dip in Wall Street seems to be quickly reflected in trading volumes in New Zealand, although prices so far this year have held. New Zealand's economic performance has been publicised extensively this year in the US, where the government has been described as "the last bastion of Reaganomics".

Many second line stocks are showing the benefits of substantial restructuring. A company such as the lingerie maker, Ceramco, which has eliminated debt and is making highly successful inroads into the Australian and Asian economies, is typical of a corporate strain which has coped well with New Zealand's protracted recession, and moved aggressively into exporting.

Gold shares have been a recent bright spot. New Zealand has two of Australasia's biggest producers. Mineral Resources, which is profitably reworking the century-old former British-owned Martha Hill mine at Waihi, south of Auckland, and Macraes Mining, which has been producing large quantities of gold from ore near the southern city of Dunedin, have both seen their share prices double in the past five weeks.

Meanwhile, prospecting stocks, such as Summit Gold, Kiwi Gold, and Gold Resources, have fared much better than the producers. Their share prices have risen by up to five times in recent trading.

ASIA PACIFIC

Nikkei gains 1.9 per cent for a new high for the year

Tokyo

INVESTORS were encouraged by currency factors as the Nikkei average rose 1.9 per cent to close above the 21,000 level for the first time since May 10, *writes Emiko Terazono in Tokyo.*

The Nikkei gained 384.30 to 21,076.00, a new high for the year, after an early low of 20,692.80 and a high of 21,186.33.

Volume rose to 611.6m shares *from* 433m, as life insurers and foreign investors once again bought blue chip electricals. Advances led declines by 856 to 215, with 114 unchanged. The Topix index of all first section stocks rose for the third consecutive day, gaining 30.67 to a year's high of 1,676.13 and, in London, the ISE/Nikkei 50 index rose 2.27 to 1,277.64.

Exporters were firm on the easing of the yen, as investors welcomed repeated intervention by the Bank of Japan on the currency market. The dol*lar closed at Y107.87, up Y0.75* from the previous day.

Foreign investors were net stock buyers for the fifth consecutive month in *April, buy*ing a net Y1.3bn. However, analysts said that foreigners appeared to be more cautious this month. *A UK broker said* that share prices were too high considering that sluggish consumer spending and capital expenditure were expected for the next few years.

High-technology stocks were traded actively. Fujitsu, the most active issue of the day, rose Y11 to Y811. Forecasts of a 15 per cent increase in semiconductor manufacturing equipment for the year to next March boosted semiconductor equipment makers. Advantest rose Y160 to Y3,460.

Car stocks led the day's gains, advancing 3.1 per cent. Nissan Motor rose Y30 to Y766 and Toyota Motor added Y60 to Y1,700.

Shipbuilders and steels were firmer. Ishikawajima-Harima Heavy Industries rose Y12 to Y520 on reports that the company had received orders for two gas turbine power generation plants from Malaysia's public power corporation.

In Osaka, the OSE average rose 311.26 to 23,375.22 in vol*ume of 28.8m shares.*

Roundup

PACIFIC RIM markets continued to put in a variety of performances.

HONG KONG dropped 2.3 per cent on heavy selling pressure, turnover rising from HK$3.9bn to HK$5.5bn. The Hang Seng index fell 166.94 to 7,155.29 as worries persisted over a move by China to let its currency float freely on some markets.

Investors continued to sell *stocks with exposure to China.* Hutchison led the active list as it fell 50 cents to HK$20.90. Cheung Kong shed 70 cents to *HK$27.30 and HSBC Holdings* was off HK$1.50 at HK$72.50.

SHANGHAI's B-Share index fell 2.9, or 4.9 per cent, to 56.45, *while the SHENZHEN Bs held* relatively firm, off only 0.1 at 98.98. "Foreign investors lost their confidence in China's *economy and currency,"* said a broker.

SINGAPORE saw broadly based selling and a 42-point *drop in the Straits Times* Industrial index at one point. Bargain hunting cut the loss to 20.83 at 1,869.48 as turnover rose from S$437m to S$499m.

SEOUL hit its highest level for more than two years before late *profit-taking dragged the* composite index back to close just 3.34 higher at 763.15, after 768.16 in turnover up from Won965bn to Won1,170bn.

TAIWAN was pulled higher by late buying in financials, the weighted index ending 40.49 higher at 4,342.73. Turnover was a slow T$16.8bn against Wednesday's T$15.38bn.

KUALA LUMPUR fell across the board but bargain hunting near the end lifted prices off the day's lows. The composite index closed down 6.21 at 735.06 in volume of some 355m shares.

Renong and Idris lost 12 and 14 cents respectively to M$2.69 and M$3.00.

BOMBAY closed higher on strong buying by foreign institutions and a finance ministry statement that interest rates could be cut in the near future.

Ignoring fears of renewed unrest, the BSE index closed up 14.60 at 2,259.80.

MANILA returned to positive territory on late buying of *selected blue chips. The com*posite index gained 8.59 to 1,581.15 in turnover of some 287.9m pesos.

*The commercial and indus*trial sectors registered the day's best gains.

BANGKOK rose on demand *for property stocks and a tech*nical rebound in the financial sector. The SET index ended up 11.18 or 1.4 per cent at 832.08 *in turnover of Bt4.8bn.*

Property developer Krisda Mahanakorn gained Bt5 to Bt107 and Bangkok Land Bt2 to Bt76.

JAKARTA registered a third successive high, the JKSE index rising 3.82 to 349.82. Brokers said interest was growing in banking, cement, and several other liquid sectors.

SOUTH AFRICA

GOLD shares recovered some of Wednesday's losses helped by the stronger bullion price. The gold index rose 52 to 1,751 while industrials added 10 to 4,514 and the overall index put on 43 to 3,942. Anglos improved R6 to R137.50.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 2 1993								TUESDAY JUNE 1 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	135.81	+0.8	130.67	92.42	112.80	132.92	+0.8	3.76	134.79	128.85	91.34	111.57	131.93	144.19	117.39	137.67
Austria (18)	145.33	+0.4	139.82	98.89	120.70	120.54	+0.7	1.71	144.71	138.32	98.06	119.77	119.70	150.98	131.16	200.40
Belgium (42)	144.61	-1.3	139.13	98.39	120.10	116.97	-1.1	4.86	146.46	140.00	99.24	121.22	118.28	156.76	131.19	132.91
Canada (108)	127.84	-0.2	122.99	86.99	106.17	117.70	-0.2	2.81	128.08	122.43	86.78	106.00	117.97	129.97	111.41	141.50
Denmark (33)	216.43	-0.2	208.22	147.27	179.75	180.00	-0.1	1.25	216.92	207.35	146.99	179.54	180.11	225.64	185.11	237.99
Finland (23)	94.24	-3.7	90.66	64.13	78.27	107.64	-2.7	1.14	97.84	93.53	66.30	80.98	110.63	100.92	65.50	115.93
France (98)	156.46	+0.0	150.53	106.46	129.94	132.17	+0.2	3.40	156.46	149.56	106.01	129.49	131.92	167.36	142.72	137.07
Germany (62)	111.94	-0.2	107.70	76.16	92.97	92.97	+0.1	2.26	112.16	107.21	76.01	92.83	92.83	117.10	101.59	113.77
Hong Kong (55)	297.28	-0.8	286.01	202.29	246.91	294.78	-0.8	3.17	299.63	286.41	203.03	248.01	297.11	301.61	218.82	153.49
Ireland (15)	163.12	-0.3	156.94	111.00	135.48	150.57	-0.1	3.52	163.67	156.46	110.91	135.47	150.74	170.40	129.28	157.28
Italy (73)	70.50	-0.3	67.83	47.97	58.55	76.90	-1.0	2.26	70.69	67.58	47.90	58.51	77.69	72.82	53.78	81.32
Japan (470)	150.87	+0.1	145.16	102.66	125.32	102.66	+0.5	0.81	150.72	144.08	102.13	124.77	102.13	152.58	100.75	135.67
Malaysia (69)	346.83	+0.1	333.69	236.00	288.05	341.16	+0.1	1.98	346.47	331.19	234.77	286.76	340.77	346.83	251.66	241.02
Mexico (18)	1485.66	-0.6	1429.35	1010.95	1233.90	5070.40	-0.5	1.34	1494.74	1428.81	1012.88	1237.17	5094.85	1725.81	1410.30	1070.01
Netherland (24)	168.33	+0.0	161.95	114.54	139.80	137.63	+0.4	4.02	168.34	160.91	114.07	139.33	137.14	172.75	150.39	140.41
New Zealand (13)	49.15	+0.3	47.29	33.45	40.82	48.08	-0.1	4.61	49.01	46.84	33.21	40.58	48.11	49.82	40.56	51.08
Norway (22)	159.67	+1.0	153.62	108.68	132.62	146.62	+1.1	1.80	158.08	151.11	107.12	130.84	145.05	166.21	137.71	204.95
Singapore (38)	262.72	+0.9	252.76	178.77	218.19	193.89	+0.9	1.78	260.49	249.00	176.51	215.60	192.18	262.72	207.04	208.42
South Africa (60)	192.18	-3.2	184.90	130.77	159.61	194.91	-2.7	2.57	198.80	189.84	134.58	164.38	200.33	201.01	144.72	215.83
Spain (46)	130.11	+0.9	125.18	88.54	108.05	123.21	+0.4	4.84	128.94	123.25	87.37	106.72	122.73	132.82	115.23	160.89
Sweden (36)	178.62	-1.4	171.85	121.55	148.35	190.12	-1.5	1.78	181.22	173.23	122.80	150.00	193.03	184.06	149.70	193.12
Switzerland (55)	128.12	+0.2	123.27	87.19	106.42	113.07	+0.2	1.92	127.84	122.20	86.63	105.82	112.90	129.36	108.91	94.32
United Kingdom (219)	179.18	-0.1	172.39	121.92	148.80	172.39	+0.6	4.03	179.29	171.38	121.48	148.38	171.38	181.98	162.00	170.66
USA (519)	185.56	+0.0	178.53	126.27	154.12	185.56	+0.0	2.76	185.53	177.35	125.73	153.57	185.53	186.27	175.38	155.89
Europe (766)	146.80	-0.1	141.24	99.90	121.93	132.99	+0.2	3.35	146.98	140.50	99.60	121.66	132.74	149.02	133.92	139.73
Nordic (114)	167.08	-1.2	160.75	113.70	138.77	157.21	-1.1	1.59	169.19	161.73	114.65	140.04	159.02	171.77	142.13	184.34
Pacific Basin (713)	154.64	+0.1	148.78	105.23	128.44	109.36	+0.5	1.08	154.51	147.69	104.70	127.88	108.86	156.31	105.86	138.10
Euro-Pacific (1479)	151.31	+0.0	145.58	102.95	125.66	119.69	+0.4	1.98	151.30	144.63	102.52	125.22	119.27	152.78	117.26	137.88
North America (627)	181.97	+0.0	175.07	123.84	151.16	180.95	+0.0	2.76	181.95	173.93	123.31	150.62	180.94	182.38	171.51	154.91
Europe Ex. UK (547)	126.78	-0.2	121.98	86.29	105.32	110.91	-0.1	2.88	126.98	121.38	86.08	105.12	111.00	128.65	112.51	120.76
Pacific Ex. Japan (243)	192.09	+0.0	184.81	130.73	159.56	176.93	+0.0	3.10	192.09	183.62	130.19	159.01	176.95	194.06	152.70	138.94
World Ex. US (1665)	151.72	-0.1	145.97	103.25	126.01	121.70	+0.3	2.00	151.80	145.11	102.87	125.65	121.36	153.23	118.51	139.31
World Ex. UK (1965)	160.38	+0.0	154.30	109.14	133.22	138.25	+0.1	2.11	160.42	153.34	108.71	132.79	138.06	160.80	134.22	141.29
World Ex. So. Af. (2124)	161.95	+0.0	155.82	110.22	134.52	140.94	+0.2	2.29	161.95	154.81	109.75	134.05	140.85	162.36	137.29	143.43
World Ex. Japan (1714)	169.91	-0.1	163.47	115.63	141.14	162.81	+0.0	2.97	170.05	162.55	115.24	140.77	162.76	170.05	157.47	149.57
The World Index (2184)	162.05	+0.0	155.90	110.27	134.60	141.41	+0.2	2.29	162.09	154.94	109.84	134.17	141.16	162.50	137.32	143.86

Amendments to indices applied to Ireland, Malaysia, related regional indices and The World Index. Latest prices were unavailable for this edition.